

JULY 6
1935

BUSINESS WEEK



SPADESMEN—Chairman Doughton of the House Ways and Means Committee (left) and Chairman Harrison of the Senate Finance Committee. When the boss says, "More taxes," they do the dirty work.

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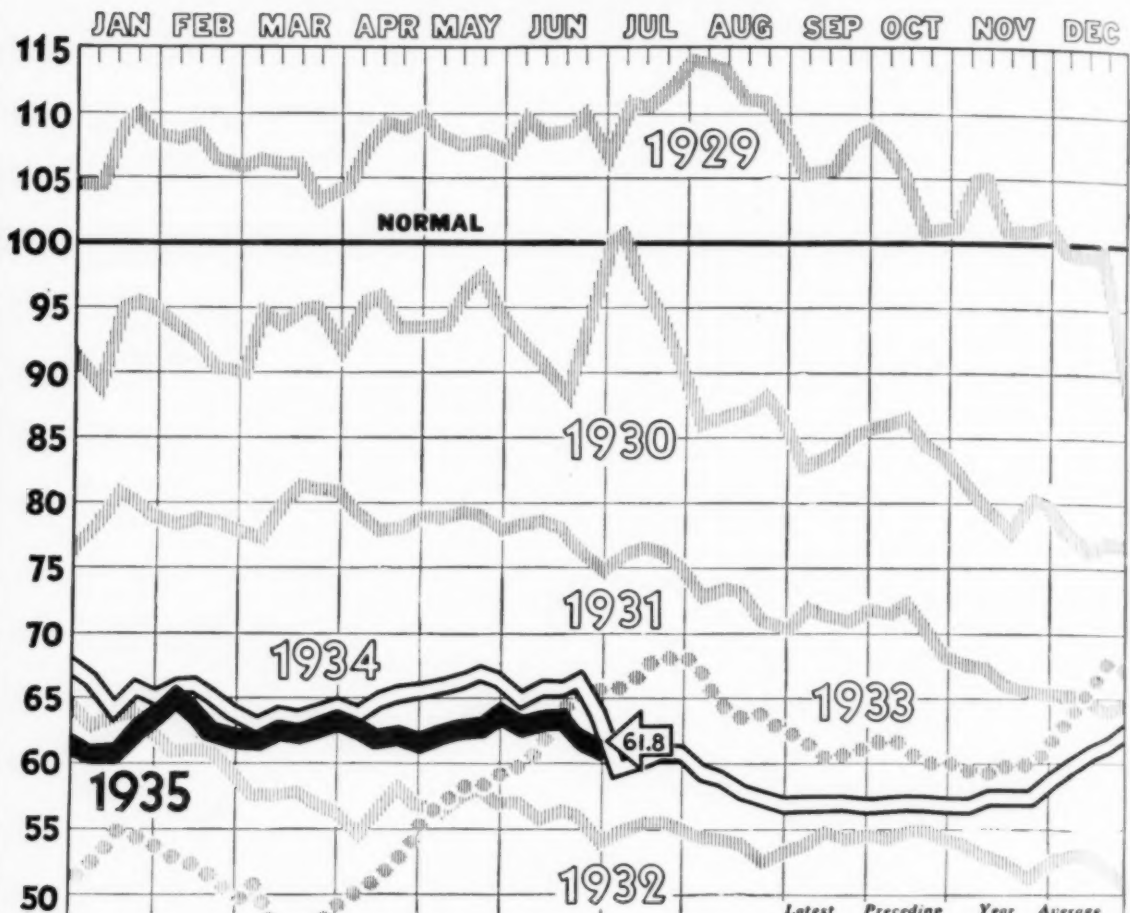
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WEEKLY INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Year Ago	Average 1930-34
BUSINESS WEEK INDEX	*61.8	62.5	64.3	72.1
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	32.8	37.7	23.0	31.6
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	\$5,068	\$5,010	\$4,978	\$8,722
★ Bituminous Coal (daily average 1,000 tons)	*805	1,537	1,009	1,031
★ Electric Power (millions K.W.H.)	1,772	1,775	1,688	1,628
TRADE				
Total Carloadings (daily average 1,000 cars)	95	109	104	113
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	64	66	67	76
★ Check Payments (outside N. Y. City, millions)	\$3,427	\$3,839	\$3,138	\$3,705
★ Money in Circulation (daily average, millions)	\$5,524	\$5,512	\$5,330	\$5,136
PRICES Average for the Week				
Wheat (No. 2, hard winter, Kansas City, bu.)	\$.87	\$.85	\$.88	\$.73
Cotton (middling, New York, lb.)	\$1.22	\$1.19	\$1.23	\$1.05
Iron and Steel (STEEL, composite, ton)	\$32.39	\$32.40	\$33.15	\$31.05
Copper (electrolytic, f.o.b. refinery, lb.)	\$.078	\$.087	\$.088	\$.084
All Commodities (Fisher's Index, 1926 = 100)	81.8	82.0	78.0	71.7
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	\$2,475	\$2,482	\$2,468	\$1,794
Loans and Investments, Federal Reserve rep't'g member banks (millions)	\$18,663	\$18,620	\$17,737	\$17,016 *
★ Commercial Loans, Federal Reserve reporting member banks (millions)	\$4,483	\$4,507	\$4,485	\$4,917
Security Loans, Federal Reserve reporting member banks (millions)	\$3,061	\$3,020	\$3,529	\$3,821
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$1,049	\$1,005	\$1,118	\$824
Stock Prices (average 100 stocks, Herald Tribune)	\$102.06	\$102.44	\$99.55	\$112.20
Bond Prices (Dow, Jones, average 40 bonds)	*\$96.80	\$96.85	\$94.71	\$88.24
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	1.6%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	1%	1%	1-1%	2.1%
Business Failures (Dun and Bradstreet, number)	234	229	229	429

* Preliminary † Revised ★ Factor in Business Week Index ‡ 1932-34 average.

The Business Outlook

IF underlying strength did not exist, the legislative program at Washington would give business plenty of uneasiness. Instead, activity has held its own pretty well for a holiday week in a normally dull period. Buoyed by success of their anti-utility bill drive, business leaders have lost no time marshalling their stockholders against the new tax proposals.

Steel production fell only moderately during the Fourth of July week, still stands at a level above last year. With the first postponement in mid-June of the long threatened bituminous strike, coal production took the expected nose-dive; carloadings fell simultaneously for the same reason. Meanwhile the West Coast lumber strike is petering out. Check transactions at the close of June were higher than a year ago in every part of the country except Kansas City.

Price Movements Mixed

Prices present conflicting trends. Except for pressure on reinforcing bars, steel prices are generally firm. Copper, with a drop to 8¢ late in June, is an outstanding example of post-code weakness; current demand is lagging, but resumption of buying is inevitable since finished goods are moving into consumption. Jobber prices of cotton cloth have been cut, but extensive production curtailment in July should curb supplies. California heeded warnings of seasoned oil men, reduced output toward the close of June, thus narrowly escaping a price war. Crude oil price cuts posted in the Rio Grande valley were minimized by some, but regarded ominously by others.

Machine Tools Rise

Tire makers' talk of higher prices appears to be wishful thinking rather than a present possibility. Competition is still keen. And the increasing pressure for processing tax repeal, suggesting lower cotton prices, operates to discourage further plans for price increases. Used-car dealers have resorted to price slashes to reduce heavy stocks. Fertilizer processors view the coming year with apprehension, now that price supports have been removed. But machine tool makers, now convinced that their markets are opening up, have posted price increases.

Motors Watch Costs

Motor manufacturers, intent on making 1936 a more profitable year, are bending every effort to reduce costs on new models. Minimum design changes will bring some savings,

BUYING ORDER DUE

Volume of third quarter business may not be outstanding, but it will be considerably better than last year, uneasiness over the Washington situation notwithstanding. Residential construction is still headed upward. Fall buying in copper, textiles, shoes, etc., can't be put off forever.

and greater output will help lower unit costs. Elimination of hours restrictions on labor will be another factor. But the prize plum will be savings on materials—thanks to anticipatory quantity buying of steel and other products. Parts suppliers are already under pressure for concessions.

Car Sales Hold Up

July motor output will hardly exceed 300,000 cars against an estimated 370,000 for June. August will be the low month of 1935, all major producers planning partial shutdowns before operations are begun on new models. June retail sales are expected to add up to a fairly good total, following the sharp drop in May resulting from the Chevrolet strike. Pontiac sold more cars this year to date than in the whole of 1934.

Trolleys Hit New High

Orders placed by transit companies in the first half of 1935 approximate \$42.5 millions compared with \$18.5 millions in the entire year 1934. Some 130 trolley buses have been ordered, a new all-time high made possible in large part by the achievement of marked stability in passenger traffic. *Transit Journal* reports only moderate weekly fluctuations in the traffic volume this year compared with 1934.

Air Conditioning Catches On

Farm implement, tractor, and tin can makers continue to see an active season. Farm buying is apparent in the movement of galvanized products.

One other big steel user—air conditioning—wins new recruits each day; one of the most recent important converts is New York's old Metropolitan Opera House which borrowed funds to provide greater comfort for its summer patrons. Theaters, department stores, and railroads have been good customers this year. As a result of its participation in steel mill modernization programs, Westinghouse Electric is expected to show a 10% increase in second-quarter orders compared with first-quarter business.

Housing Stimulus Reported

Housing accommodations for 26,394 families have been provided in the first 5 months of 1935. This is 84% of the entire 1934 residential construction. May saw 7,465 dwelling units added in towns over 10,000 population, a record for any month in the past 3 years, and 106% better than last year. Paint, lacquer, and varnish sales reported by 158 manufacturers through May topped \$141.5 millions, 15% larger than the first 5 months of 1934.

Retailing's Weather Eye Open

Summer months are dull ones even in the retail field, but given a break in the weather, 1935 should show some improvement over 1934. A handful of chain stores have reported fair gains over 1934 in the 4 weeks ending June 15. Sears, Roebuck sales were up 29%. Montgomery Ward has virtually completed its pruning and relocating of stores, is now ready to start expanding its 489 units to 499.

Sales Taxes Multiply

A flock of new and higher sales taxes to help support relief rolls or balance state budgets greeted the public on July 1. Illinois, North Carolina, and California raised their rates to 3%; New Jersey inaugurated a 2% tax that met with considerable opposition. (New York City's receipts on its 2% sales tax netted \$18.9 millions in the first 6 months, or \$1.1 millions less than had been anticipated.) South Dakota imposed a 2% tax on sales of tangible personal property, and on the communications business. Illinois' legislature finally passed a 3% tax on gross receipts of public and municipal utilities until Jan. 1, 1937; 2% thereafter.

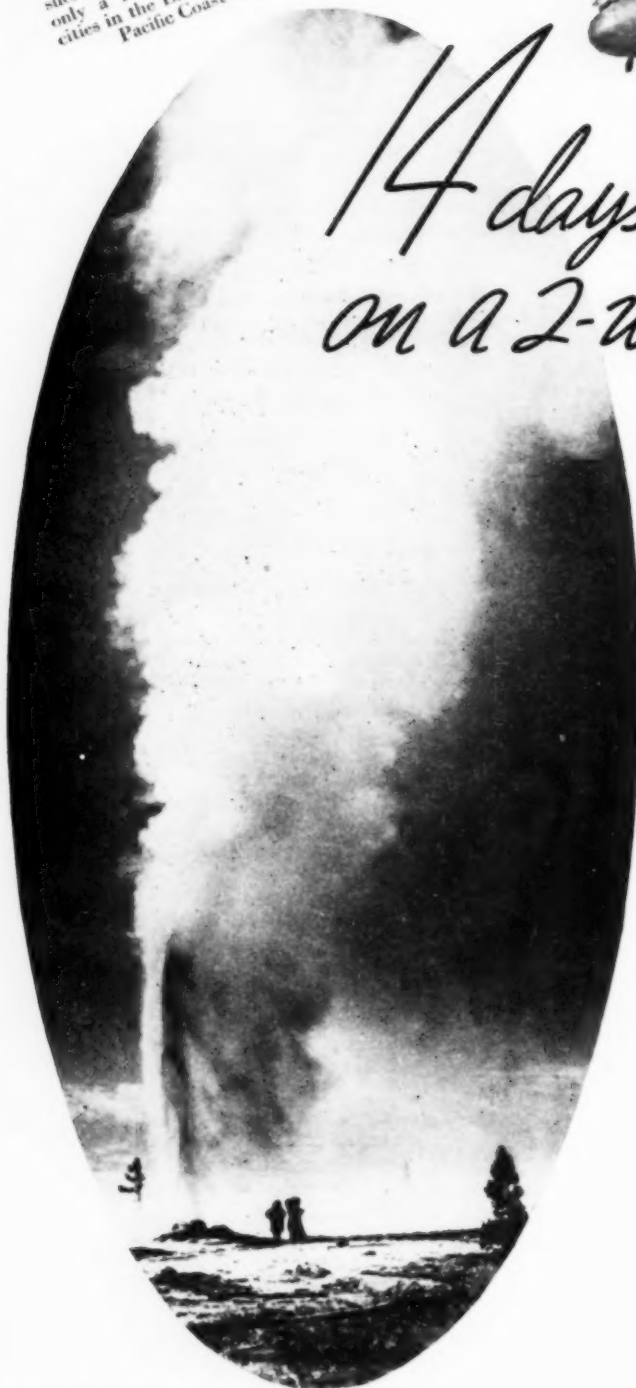
Dividends Break Through

Corporation dividends declared in the first half of 1935 aggregated \$1.4 billions, less than 3% better than in 1934, but 13% ahead of 1933. Copper and mail order firms showed the greatest gains; railroad equipment and railroads, the worst losses.

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BUSINESS WEEK

Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—A bright red light against President Roosevelt's crusade on bigness in business by the tax route. That's the chief significance of amazing upset in House on utility holding company "death sentence." It proves that enough stockholders can force Congress to the right if they are vociferous enough. Hence, possibility that the bigger army of investors involved can keep proposed sliding-scale corporation tax from reaching destructive proportions which President desires eventually.

Letters, Not Lobby, Effective

It was flood of letters from millions of stockholders, not public utility lobby so bitterly criticized by the President, that turned tide and accomplished precisely what was demanded—elimination of death sentence. For the future, it showed many a surprised rural congressman that he represented a great many investors in his district.

Ask Broader Tax Base

Disposition of letters from Capitol Hill is to turn Roosevelt's tax measure into real revenue measure, to boost levies on incomes far smaller than those now aimed at by the President, similarly to reduce exemptions on inheritance taxes. All this to make Treasury funds rather than social reform the major legislative purpose.

Starring Left-Wingers

Roosevelt ignored conservative advisers in boosting corporation levies so high. Extreme Left-Wingers triumphed. Brandeis-Frankfurter school is in saddle so far as drive against bigness is concerned. Hence possibility of another flood of letter writing, though as yet unorganized.

Adjournment Not in Sight

Legislative program in Congress is terribly bogged down. Only tremendous burst of speed can accomplish adjournment in August. Some talk gloomily of September.

Hopkins Gets Cash

Work relief gets away to belated start with allotment of \$142,000,000 to Harry Hopkins' Work Progress Administration for 5 years. Only Hopkins seems clever enough to devise plans acceptable to President. Some headlines:

Alabama, credited with best-organized low-cost relief system; Indiana, best organized high-cost relief system; Georgia, where anti-Roosevelt state government under Talmadge is ignored and federal control is absolute; New York City, with Mayor La-

SIGNIFICANT DEFEAT

Utility holding companies won a rather hollow victory. Their bill is still very drastic. But the President has suffered a tremendous defeat, his most significant one so far. Real importance is not in terms of this bill, but in fact that 257 House members voted as constituent-stockholders insisted, despite promises of work relief projects, patronage pressure, and what-have-you coming from White House.

Guardia a member of Advisory Committee on Allotments and Gen. Hugh Johnson in picture; District of Columbia, well taken care of mostly because it's right under foot.

Public Works Revival

PWA, sidetracked in work relief by the "necessity" of averaging around \$1,100 for each man employed, if 3½ million men are to get jobs, is to come into its own. There are strong indications that Roosevelt is yielding further on the "public works controversy" and leaning again toward really useful projects. Also that he has intervened in differences between Hopkins and Ickes.

Blocking Bondholders

President has moved in 2 directions to head off gold clause bondholders. He has launched bills which would outlaw suits for damages and transferred "gold profits" from an earmarked kitty against "some emergency" to general funds or Treasury, using them to retire Panama Canal Zone bonds, etc.

Guffey Bill Greased

Coal experts agree that Guffey coal bill is apt to pass, regardless of merits or intent, in its present highly unworkable form.

Cheerful Cotton Report

AAA cotton experts' optimistic reports indicate surplus bought at 5¢ and 6¢ early in depression has been consumed. Hence expect heavy buy-

ing for export shortly. Meanwhile, are hoping sharp reduction in acreage will be shown in July.

Textiles Like 12c Loan

Textile industry, to surprise of many, wants 12c loans on cotton continued. Answer: heavy inventories; hence, eager for price to be maintained.

Bus and Truck Bill

Bus and truck bill is finally getting under way. House will not accept Huddleston measure, with its truck rate regulation. Much more comprehensive Eastman bill already passed by Senate is expected to prevail.

Storage in Moth Balls

Plans for government to purchase and store strategic minerals seems sidetracked for this session. House Ways and Means Committee still awaits reports from State, War, and Navy Departments, and Budget Bureau. No meeting has been scheduled by subcommittee in charge.

FACA Action Due

Federal Alcohol Control measure, delayed by the vain fight to permit sale in barrels, will pass shortly.

Expect Labor Switch

Union labor will be demanding repeal of Wagner Labor Relations Bill in 18 months, business representatives here say. They wanted it for a while to boost union dues and influence. Later they will want to get rid of federal control as union leaders dislike anything approaching compulsory arbitration.

Black Bill Dies

Burial of Black 30-hour bill is seen by business opponents of Wagner Bill as a bit of silver lining to that measure's passage.

Drug Bill in Line

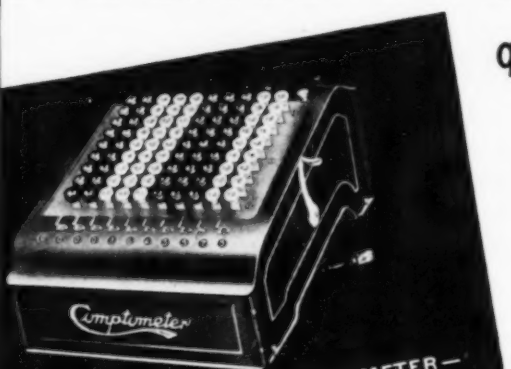
Hearings on food and drug bill will start as soon as House Interstate Commerce Committee finish bus and truck bills. Food interests are still pressing for action—which seems fairly certain.

Glass Coup

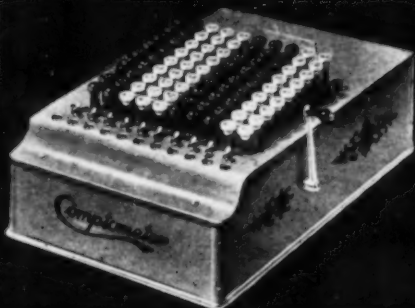
Senator Carter Glass has succeeded in revamping bank bill to suit his own taste while President has been too busy with holding company fight to give sufficient aid to Governor Eccles. Plenty of concentration on bank supervision remains in Glass bill but nothing like as much as Administration planned. Remains to be seen whether Glass' prestige will hold his gains. Administration has just begun to fight.

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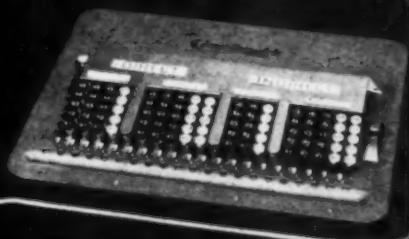
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BUSINESS WEEK

JULY 6, 1935

Answering the Tax Message

Protests against President's "wealth-sharing" program center on plan to penalize bigness and mass production.

WASHINGTON (Special Correspondence)

Rising tides of protest swept over the Roosevelt "wealth-sharing" tax program this week, hitting hardest against its proposal of a sliding-scale tax on corporation income, designed to penalize "bigness" and mass production. Business opinion had begun to burn through the political fog surrounding the President's new move to put reform ahead of recovery and was getting at the main issues involved. Brain trusters had begun to realize that, whatever their chief's wishes in the queer maneuverings of a week ago, his hopes were seriously threatened when Congressional leaders finally decided to hold the new program over for debate, instead of rushing it through with the nuisance taxes.

This delay has given thoughtful and critical men outside their ranks an opportunity to blast away any pretensions that a tax bill to the President's apparent prescription can raise enough money to be seriously regarded as a revenue measure. And it has held open the door for such a flood of protests from corporation stockholders as overwhelmed the Administration's "death sentence" on utility holding companies (page 8).

Stockholders Hit

Business is now easily demonstrating that added burdens on the big corporations will rest on the shoulders of millions of small stockholders. Nose-counting is going on in the committee rooms: A.T.&T. has 675,027 stockholders, General Motors, 350,164, RCA 271,157, General Electric, 196,248, Standard of New Jersey, 134,136, Standard Brands, 104,801, Westinghouse, 49,947. A recent study by the Twentieth Century Fund is being quoted to show that "probably over one-fifth of all corporate stock outstanding is held by individuals with net incomes of less than \$5,000 a year." Corporation asset and income analyses like that on page 9 are getting earnest attention.

National Association of Manufacturers is busily pointing out that "the [graduated] tax rate suggested bears no relation to the percentage of profit earned on the investment since it taxes the millions of small investors in corporations having large incomes at a higher rate than either large or small investors in small corporations." To

which NAM ingeniously adds that "the result would unquestionably tend toward a decreased number of investors in large corporations and thus toward increased concentration of wealth ownership."

However the President or Congress may view subtle arguments of this type, the fact remains that they must count on the disturbing effect of stockholder protests stirred up by such arguments. The gathering force of criticism was reflected in a fresh move this week to hold the tax program over for another session.

Close friends of the President are saying that there was no "timing" involved in his tax message—that ever since he was sure of being elected he has intended to propose something of the kind—almost discussed it in a campaign speech, but was dissuaded—and that the message just happened to come out of the mill when it did.

Part of this story is true: That he always intended to strike some such blow at big fortunes, big incomes, and big corporations, particularly at corpora-

tions which "pile up surpluses." He took a fling at them in his acceptance speech at Chicago, early in July, 1932.

But there is also little doubt that, up to the Supreme Court rebuff in the NRA cases, he had intended to let this anti-wealth crusade—or "anti-thrift" as one prominent publisher terms it—wait until the next session of Congress.

Treasury Had Own Program

Those denying this point to the absolute necessity for more federal revenue. But the plain fact is that the Treasury had worked out, at the direction of the President, a very elaborate tax program not based on the idea of distributing wealth; in short, a tax program, not a social reform program. More will be heard of this later, and the reason lies in the most convincing proof that Mr. Roosevelt's program was not thrown in because revenue was needed. This is that his wealth-sharing taxes would not raise anything like the money needed—or even the money estimated. This point has been easily and repeatedly driven home during the week.

Obviously, the thing the President had in mind was the breaking up of big fortunes, with heavy income taxes on the high brackets and heavy inheritance taxes on large bequests. To get the amount of money the Treasury really needs it is necessary to go much lower



FALL GUY—To Majority Leader Robinson falls the taxing responsibility of explaining to impatient reporters the Administration's maneuvers in pushing—or postponing, as the case may be—its share-the-wealth tax program.

than any figure mentioned, into smaller inheritances and lower income brackets.

That fact was embarrassingly brought out this week by Senator Vandenberg of Michigan, Republican Presidential aspirant, in a G.O.P. response to the new political play by the White House. In this the Michigan senator sought to put himself at the head of an anti-Administration move for a tax bill which would broaden the income tax base, raise sufficient revenue to balance the budget, and, he remarked, "head off inflation."

Congress is fairly willing to dip down to lower levels, if the President insists. But if so he is going to have serious qualms about his whole program. For it had never occurred to him—until he was faced by the proposal to reduce the exemptions on inheritance taxes so sharply—that there was anything seriously against the public good in a man's inheriting something near the amount which he himself inherited. No one accuses him of selfishness in this line of thinking; but, in his own proposals, he

was thinking *only* of the very large fortunes. However, a tax on only these would produce very little revenue for the simple reason there are not many of them, and some of those much in the public eye have already been widely distributed.

In rushing his message to the Capitol, the President disregarded the contention of his more conservative advisers that the punitive levy on larger corporations and mass production was against public interest. Some of the men on whom he has most relied in the past still think the spread is too great, that the levy of 16 $\frac{3}{4}$ % is too high.

On the whole, this sliding-scale tax against bigness remains the most significant phase of the whole situation, with thoughtful observers noting that if the motive is approved and becomes sound political doctrine there is every chance that levies in the upper brackets of the sliding scale would be boosted until eventually there were no big—non-governmental—corporations left.

Investors' Victory

Smashing the death-sentence for utility holding firms, they give Roosevelt a hint of defeat on taxes.

THE utility holding companies won a smashing victory in the vote of the House against the death-sentence provision this week, and President Roosevelt suffered a tremendous defeat that may have important economic and political after-effects in 1936 and later.

In revolting against the President's demands, the House was really performing an act of obedience—but not to the President. The whip was being cracked by constituents back home—the utility investors, a great many of whom are also utility employees. The investors' vote was organized in this battle as it has never been organized before, and the resulting pressure easily exceeded anything Mr. Roosevelt could apply.

President Learns Error

He had not expected it to be so strong, but had believed that his general arguments against the holding companies, as expressed in his news conferences, would suffice to rally enough public support behind him. He knows better now. And he has reason to believe that the strategy that defeated him on this issue may be successfully repeated when Congress comes to vote on his proposals for a sliding tax rate on corporate income. Already the leading corporations have begun to drum up the investors' vote against him on that issue; and, given time enough, they may succeed in beating the President.

To some extent, the wide margin of victory for the holding companies in

their fight against the death sentence was due to the fact that the vote, taken when the House was sitting as the committee of the whole, was not officially recorded, the members merely passing between tellers, who counted them. But the Scripps-Howard newspapers had announced that they would assemble their entire staff in the press gallery to try to identify the members as they thronged forward to vote; and, despite this threat of identification as public opponents of the President, 216 members voted against him, while only 146 gave him their support.

It was noteworthy that Democrats from the large cities, especially those elected by strong Democratic machines, abandoned the Democratic President on this decisive issue. Tammany Hall was against him, only 3 of the 22 Democratic members from New York City voting for the death sentence. Chicago organization Democrats followed the same course.

When a record vote was taken next day, the death sentence was not the matter directly at issue. The question then was whether the drastic House bill should be substituted for the more drastic Senate bill; and on this question, though such death-sentence proponents as John E. Rankin of Mississippi voted in the negative, Chairman Sam Rayburn of the House interstate and foreign commerce committee moved over to the anti-Administration side by voting for



SAINT OR SINNER?—As a member in good standing of the Dexter Fellows Tent of the Circus Saints and Sinners Club, General Johnson can qualify in either division. Before October, when he has announced that his reappointment as head of New York City's work relief will be open to discussion, 1½ million relief dependent in New York City will have chosen the appropriate designation. Harry Hopkins, President Roosevelt, and Mayor LaGuardia will also have opinions in the matter.

the House bill, with the plea that both bills "have their good points." The House bill won a majority of 111, the vote being 258 to 147. The 258 were 166 Democrats and 92 Republicans.

Under the House bill, holding companies would be permitted to continue as such indefinitely if the Securities and Exchange Commission found that this was in the public interest.

Vote Lobbying With Quiz

Some advocates of the death sentence had announced before this vote that they would demand an investigation of utility propaganda; but members on the other side beat them to this issue by charging on the floor, soon after the record vote, that the Administration had attempted by threats and promises to win their support for the death sentence. The chief accusation was made by Representative Brewster (R.), of Maine, who declared that Brain-Truster Thomas G. Corcoran, one of the authors of the bill, had threatened to stop work on the Passamaquoddy dam, in Brewster's district, unless he voted for the death sentence. The House approved a resolution for an investigation of all lobbying on the bill.

Business Under the Tax Threat

How Corporations Line Up for Application of a Sliding-Scale Tax on Income

Big and Little Corporations in 1931

Their Share of Total Assets, Volume of Business, and Profits—or Deficits

Asset Group	No. of Corp.	Percent of Total Corp.	000 Total Assets	Percent of Total Assets	000 Volume of Business	Percent of Total Business	000 Compiled Net Profit
Under \$50,000	182,447	47.9	\$3,702,783	1.2	\$6,752,425	7.1	\$412,166D
\$50,000-\$100,000	61,144	16.0	4,366,549	1.5	5,204,113	5.5	213,619D
\$100,000-\$250,000	63,428	16.6	10,072,145	3.4	8,339,734	8.8	339,694D
\$250,000-\$500,000	31,052	8.1	10,929,624	3.7	6,699,559	7.0	250,998D
\$500,000-\$1,000,000	19,335	5.1	13,530,865	4.6	6,491,798	6.8	252,272D
\$1,000,000-\$5,000,000	18,345	4.8	37,955,407	12.8	13,024,934	13.7	538,926D
\$5,000,000-\$10,000,000	2,588	0.7	17,965,175	6.0	4,895,193	5.2	137,776D
\$10,000,000-\$50,000,000	2,117	0.6	43,167,197	14.6	11,897,659	12.5	35,825D
\$50,000,000 and over	632	0.2	154,807,284	52.2	31,683,521	33.4	1,694,173
Total	381,088	100%	\$296,497,029	100%	\$94,988,935	100%	\$487,103D
Summary Based on Balance Sheets Submitted for 74% of All Corporations							
With Net Income	143,195	37.6	\$121,724,933	41.1	\$46,147,555	48.6	\$4,642,204
With No Net Income	237,893	62.4	174,772,096	58.9	48,841,380	51.4	5,129,307D
Total	381,088	100%	\$296,497,029	100%	\$94,988,935	100%	\$487,103D

D—Deficit

"BIGNESS"—Most corporations are small ones, have only a fraction of all corporate assets. In 1931—first year for which asset data are available—the smallest companies comprised 47.9% of the total, had 1.2% of all corporate assets. They did \$1.82 worth of business for each \$1 of assets, but lost 6¢ on each dollar of sales. On the other hand, 632 of the largest corporations—0.2% of the total number, held

52.2% of the assets, did 33.4% of all corporate business, and netted a profit doing it. In this none-too-good year of 1931 these topnotch companies did 20¢ worth of business for each \$1 of assets, making 5¢ profit on each \$1 of sales. Note that over 62% of all corporations covered had a deficit in 1931 though they controlled 59% of all assets and did 51% of the business.

How Corporation Income Was Distributed In Typical Pre-Depression Year—1928

Net Income Classes	No. of Corp.	% of Total	000 Total Net Income	% of Total
Under \$1,000	68,466	25.5	\$28,668	0.3
\$1,000-\$2,000	42,161	15.7	62,625	0.6
\$2,000-\$3,000	35,930	13.4	90,128	0.8
\$3,000-\$4,000	19,392	7.2	66,724	0.6
\$4,000-\$5,000	11,811	4.4	52,758	0.5
\$5,000-\$10,000	29,876	11.1	211,526	2.0
\$10,000-\$15,000	13,707	5.1	168,261	1.6
\$15,000-\$20,000	8,268	3.1	143,246	1.3
\$20,000-\$25,000	6,953	2.6	156,098	1.5
\$25,000-\$50,000	12,480	4.6	445,895	4.2
\$50,000-\$100,000	8,734	3.2	609,179	5.7
\$100,000-\$250,000	6,194	2.3	959,922	9.0
\$250,000-\$500,000	2,267	.8	794,021	7.5
\$500,000-\$1,000,000	1,286	.5	898,405	8.5
\$1,000,000-\$5,000,000	1,029	.4	2,119,926	20.0
\$5,000,000 and over	229	.1	3,810,359	35.9

Total for corporations having net income..... 268,783 100% \$10,617,741 100%

Summary				
Corporations with Net Income	268,783	54.2	\$10,617,741
Corporations with No Net Income	174,828	35.3	2,391,124	deficit
Inactive Corporations	52,281	10.5
All Corporations ...	495,892	100%	\$8,226,617

1928—IN THE BLACK—More than half of all corporations made money in 1928. Of these, the 0.5% earning \$1 million and over cornered 55.9% of all profits; 66.2% earned less than \$5,000, rated less than 3% of all profits.

How Corporation Income Was Distributed In Worst Depression Year—1932

Net Income Classes	No. of Corp.	% of Total	000 Total Net Income	% of Total
Under \$1,000	42,070	50.9	\$13,121	0.6
\$1,000-\$2,000	10,403	12.6	14,912	0.7
\$2,000-\$3,000	5,734	6.9	14,081	0.6
\$3,000-\$4,000	3,321	4.0	11,506	0.5
\$4,000-\$5,000	2,499	3.0	11,196	0.5
\$5,000-\$10,000	6,259	7.6	44,505	2.1
\$10,000-\$15,000	2,962	3.6	36,271	1.7
\$15,000-\$20,000	1,796	2.2	31,158	1.5
\$20,000-\$25,000	1,172	1.4	26,213	1.2
\$25,000-\$50,000	2,760	3.2	94,912	4.4
\$50,000-\$100,000	1,623	2.0	113,643	5.3
\$100,000-\$250,000	1,159	1.4	176,675	8.2
\$250,000-\$500,000	429	.5	150,686	7.0
\$500,000-\$1,000,000	235	.3	165,567	7.7
\$1,000,000-\$5,000,000	225	.3	464,892	21.6
\$5,000,000 and over	59	.1	783,775	36.4

Total for corporations having net income..... 82,646 100% \$2,153,113 100%

Summary			
Corporations with Net Income	82,646	16.3	\$2,153,113
Corporations with No Net Income	369,238	72.6	7,796,687
Inactive Corporations	56,752	11.1
All Corporations ...	508,636	100%	\$5,643,574

1932—IN THE RED—Only 16.3% of all corporations made money in 1932. Of these, the 0.4% earning \$1 million and over made 58% of all profits; 77.4% earned less than \$5,000 and shared less than 2.9% of total earnings.

Streamliners—1 South, 1 East

The South gets a second *Rebel* which can change length for varying traffic demands. The East meets *The Royal Blue*, with 2 kinds of power.

NEXT week, a second identical unit of the Gulf, Mobile & Northern's *Rebel*, first of the new, lightweight, streamlined, diesel-powered trains to operate in the South, will roll out of the American Car & Foundry Company's plant in Berwick, Pa., and, after detouring to various major cities for exhibition purposes, will join the already completed unit which G.M.&N. has been proudly parading up and down the route between New Orleans and Jackson, Tenn. (BW—Jun 8 '35). Fortnight or so later, regular daily-scheduled service will be inaugurated between these 2 cities, and that event will signalize the first complete motorization of railroad passenger service on any line in America operating as many as a million passenger miles a year. G.M.&N. will then retire its last 3 passenger locomotives to freight handling,

will serve its entire system with diesel or gas-electric passenger trains.

Most notable fact about the *Rebel* is that it is the first of the diesel-electric streamliners which can be altered in length to suit traffic demands. In other words, it is not an articulated unit, though the cars are closely joined, and the use of new-type vestibule paneling between them makes possible an unbroken and completely streamlined exterior surface. Basically, both trains are 3-car units, though a fourth "swing" car can be cut into the middle of each.

Between Jackson, Tenn., and Jackson, Miss., the *Rebel* will operate as a 3-car train; every morning it will carry the "swing" car from Jackson, Miss., to New Orleans, and every night it will carry it back. With 3 cars it will be able to accommodate 104 persons, white and

Negro in separate sections, and with 4 cars, 175. The last car has 1 stateroom, 6 individually air-conditioned berths, observation and buffet facilities for 13 passengers.

Manufacturers whose products have been used in the *Rebel* have sought to capitalize on the wide public interest which this streamliner has created; witness the 1-column Wanamaker advertisement, reproduced herewith, which appeared in the New York Times last week. Even the St. Mary's Woolen Manufacturing Co., of St. Mary's O., which furnished the blankets for the *Rebel's* 6 berths, has seen fit to call its participation to public notice. Chief suppliers include United States Steel Corp., whose lightweight, corrosive-resistant steel "Cor-Ten" is used, together with aluminum alloys in the train's construction; Westinghouse Electric & Manufacturing Co., which supplied the generator and other electrical equipment; McIntosh & Seymour Corp., whose 660 hp. Alco-type diesel engine furnishes the power; and E. I. duPont de Nemours & Co., whose color specialists worked out with Wanamaker's the buff-and-light-green color motif and all details of interior decoration. American Car & Foundry not only built the unit, but its engineers were likewise responsible for the entire design.

One Fare Almost Covers Fuel

The *Rebel* has already demonstrated its economy of operation. Trial run to Chicago was completed at an average per mile fuel cost of 2.2¢. Hence one passenger fare practically pays the fuel bill (not quite, however, for the G.M.&N. a few years ago pioneered rate reductions in the South, now operates on a 2¢-a-mile basis with no surcharge on sleeping car fares). Almost a score of fares, however, will be required to cover complete operating costs (maintenance, wages, supplies, and servicing) if the average train-mile cost of 34.21¢ established for diesels by the Burlington *Zephyr* may be taken as an index.

In this low cost figure—about half of that for an average steam train—lies the explanation of the streamliner's increasing popularity with railroad operators. So popular have they proved with Burlington that a fortnight ago the road ordered a fourth car which will be inserted in its original 3-car *Zephyr* operating between Kansas City and Lincoln, Neb. It has been built by the Edward G. Budd Manufacturing Co., which has built 3 *Zephyrs* for Burlington, has a fourth in the works.

Despite the public popularity of the diesel-powered units, Daniel Willard, president of Baltimore & Ohio, last week reaffirmed his faith in steam transportation by launching *The Royal Blue*, first streamlined train (coaches—not engine) to operate in the busy Eastern section between New York and Washington. *The*



Wide World



Underwood & Underwood

STREAMLINED SUCCESS—A silent but compelling witness to the popularity of new, high-speed railroad transportation, a fourth car for insertion in the original 3-car *Zephyr* travels via flat car from the Budd plant in Philadelphia to the Burlington shops in Lincoln, Neb. Meanwhile in the East, B.&O. celebrates with pomp and pigeons—and Marie McIntyre, daughter of the President's secretary—the launching of the first streamlined train between New York and Washington.



**Wanamaker's
Decorated the
Interior of
"The Rebel"
New Crack Train
of the Gulf,
Mobile and Northern**

Wanamaker's Contract Division divides honors with the builders of this swift streak of streamline efficiency—American Car and Foundry.

The stunning interior decorations have been accomplished with the utmost taste and skill. Fabrics, yarn-dyed to the exact and beautiful shades required: paints specially

CRITERION OF CRAFTSMANSHIP
—Proud of the part it played in preparing the *Rebel* for the rails, Wanamaker's department store takes newspaper space to announce that its contract division is responsible for the interior decorations in the Gulf, Mobile & Northern's streamliner.

Royal Blue is widely heralded as setting a new high in the lavishness of transportation appointments. Rounded roofs, skirted sides, a tapered observation coach, and windows and folding car steps practically flush with the sides give the train a continuous unbroken streamlined surface. Like its new *Abraham Lincoln*, which goes into service July 1 between Chicago and St. Louis, it was built by American Car & Foundry Co. of "Cor-Ten" light-weight steel, will weigh 55% of a normal train—347 tons behind the engine.

The locomotive which will haul the new streamliner is a B.&O. steam job on which President Willard has had his mechanics busy for some months. Drive wheels have been increased to 84 inches and a 200 lb. steam chest has been re-

placed by a 350 lb. one. The result is that on a trial run, *The Royal Blue* did 118 miles an hour and was timed at 94 miles an hour on a test stretch of its first regular run. Later on Mr. Willard will put an 1,800 hp. diesel-electric on *The Royal Blue* to see how it compares with steam.

Light-Weight Cars

Rail men examine new coal cars and l.c.l. container designed to carry more, last longer.

RAILROADERS attending the convention of Association of American Railroads in Chicago examined with interest 2 competitively produced lightweight coal cars, saw in them possibilities of eliminating expensive maintenance and, more importantly, reducing dead weight. Both are designed to overcome rust damage, costing carriers millions annually, and are about 4 tons lighter than cars in service.

American Rolling Mill Co. prepared Rustless Iron Corporation of America's RR-11 rustless steel for one unit, produced in Ralston Steel Car Company's plant at Columbus, O. The other rolled out of American Car & Foundry Company's shops, used Cor-Ten, a new high-tensile corrosion-resisting steel produced by U. S. Steel Corp., and has been developed for service on the Chesapeake & Ohio Railway.

Weight reduction has been effected largely in the body. Rustless-Armco's product effects about 50% cut in body weight, brings total weight of car to 33,100 lb., without sacrifice of strength.

It is built on standard design, with Westinghouse's new brake providing braking force in accordance with the requirements of car, empty or loaded. Initial cost is slightly higher than old models, but whereas present hopper cars require body replacement 2 or 3 times during life of underframe and trucks, no such repairs are anticipated for new rustproof unit. Not only are such replacements expensive, but they mean taking equipment out of service. Weight taken off the trucks as result of lighter body construction makes possible a heavier pay load.

ACF's car, weighs 34,600 lbs. and is equipped with a new design of trucks eliminating many parts formerly considered necessary. Shock absorbers make for easier riding, more efficient and economical operation.

Also on display was the Rustless Iron Corp.'s l.c.l. portable merchandise container, made out of RR-11 metal, cutting 50% off weight. Its 1,300 lbs. are designed to carry a 9,000-lb. load. Heintz Manufacturing Co. of Philadelphia is the make.

Streamlining the "L"

Chicago Rapid Transit Co. and North Shore Line consider purchase of streamlined equipment.

STREAMLINED articulated units promise to break out in new spots. Chicago Rapid Transit Co., "L" operators, and Chicago, North Shore & Milwaukee Railroad, world's fastest interurban electric line, are considering them.

No definite commitment has been



LOAD: 7 TIMES ITS WEIGHT—Built of a new corrosion-resistant metal, RR-11, developed by the Rustless Iron Corp. of America, this lightweight l.c.l. merchandise container weighs only 1,300 lb.—about half of standard weight, can handle a load of 9,000 lb. It was built by Heintz Manufacturing Co.

made, nor have plans actually been drawn, but it is reported in equipment circles that experimental units—a five-car articulated train for service on the Evanston branch of the "L" and a four-car speedster for the dash between Chicago and Milwaukee—will be built for tests.

In 1933, the North Shore Line by winning for the third year in a row (the

fifth time in 7 years) was awarded permanent possession of the international electric traction speed cup. Final award was made on a scheduled elapsed speed of 51.27 m.p.h. for the 88.02 miles between Chicago loop and downtown Milwaukee, including 14 stops. Excluding stops, running speed was 70.42 miles an hour. The North Shore Line uses the "L" system tracks in Chicago.

Canada's New Deal Reform Measures Passed by Parliament

For Workers:

Unemployment Insurance
8-Hour Day; 6-Day Week
Minimum Wages
Economic Council

For Agriculture:

Federal Grain Board
Live Stock Marketing Board
Farmers' Debt Adjustment Act Extension
Farm Loan Act Enlargement
Federal Marketing Act Extension
Drought Area Rehabilitation

For Business Control:

Federal Trade and Industry Commission
Securities Board
Amendments to Companies Act
Restrictions on Incorporation
Regulation of Promotions, Stock Issues
Regulation of Share Values
More Liability for Company Officers and Directors
Combines Act Strengthened
Consumers' Standards Enlarged

General:

Federal Housing Scheme
Wealth Redistribution by Super-taxes.

Canada Gets Tentative New Deal

Parliament passes modified economic and social reform program, but its enforcement depends on what happens in the pending Dominion elections.

OTTAWA (*Special Correspondence*)—Parliament prorogues this week with the whole of the New Deal program passed and on the statute books. Subject to modifications in conformity with the constitution, everything promised by Prime Minister Bennett and proposed by the Stevens Commission has been put through. Nothing is left over. It was described by Bennett before Parliament met as the commencement of social and economic reform, not a complete program. It may be for another government, after the impending general election, to say how far measures passed will be acted on, how far the program will be extended another session.

Going to the People

Although he has made no announcement, Bennett apparently is going before the people in the election this fall as government leader to ask public support for what he has done. His retirement has for months been a possibility owing to his health. His continuance will prevent Stevens, rebel Conservative reform protagonist, from bidding for the premiership. Stevens will endorse the

reform program in the campaign, but claim it was not courageous enough.

Mackenzie King's Liberal opposition, which expects to form the next government, has criticized the reform measures one by one in parliament, but voted for them. Its attitude has been that they were inadequate and futile, that it didn't matter whether they passed or not. The party held tariff reduction to encourage trade was more essential, and was frankly skeptical of business regimentation.

Big business has condemned the trend toward government control, resisted application of specific measures, raised the constitutional question. Some of its leaders have acclaimed Bennett for modifying the program in conformity with the constitution. Smaller business, especially the retail trade, has approved everything, asked for more. United States experience with NRA encouraged Canadian reactionaries, sobered some reform enthusiasts. On the whole, the public appears to support the reform plan, though not necessarily the government that put it through.

This parliament, now winding up its final session, has been in existence since September, 1930, and under the leadership, amounting to the dictation, of Prime Minister Bennett. Until last session it was concerned almost exclusively with emergency measures to combat unemployment, limit trade recessions, resist forces of the depression. Ministerial policy has sought above all else to maintain Canada's financial credit. Notable in this connection was Bennett's declaration, on Britain's lapse from the gold standard in 1931, that Canada would meet all obligations in terms of contract, and the maintenance of that position.

Increased U. S. Duties

Other outstanding actions of the Bennett government pursuant to its financial and trade policy were the drastic increases in the general tariff against the United States in 1930 and 1931, and the Empire Trade Agreements of 1932.

Before Bennett came to office, Canada's trade balance was heavily adverse, her dollar low and falling in New York. His first move was to restore the trade balance, rescue the Dominion dollar, by boosting the general tariff. His next was to replace lost United States trade with Empire trade. He failed at the Empire conference in London in 1930, succeeded at Ottawa in 1932. Throughout the 5 years the Mackenzie King Liberal opposition, which now seeks return to office, has condemned the tariff boosts against the United States and the bargaining character of the Empire agreements. King has promised at the first opportunity to lower the general tariff, which he claims has destroyed trade, and modify the Ottawa agreements. Liberal policy has been to maintain only a moderate tariff against the United States, grant tariff preferences to Great Britain without requiring a quid pro quo, promote trade with foreign countries by treaty. The party adheres to the principles of that policy.

Started with Central Bank

Last session the Bennett government, which had held that fundamental economic changes were unwise during the depression emergency, began its reform program. Initial measures were establishment of a central bank (Bank of Canada), the Farmers' Creditors' Arrangement Act for compulsory adjustment of farm mortgage indebtedness, the Federal Marketing Act with boards to regulate and control marketing of natural products. It proceeded with reform this session on a larger scale.

Provincial rights, corresponding to state rights in the United States, have been the principal barrier raised against the advance of reform. It was held that Parliament was without authority under the British North America Act to enact and enforce some of the reform proposals because they invaded provincial jurisdiction. The government gave

115 TIMES A MINUTE

WE HAMMERED THIS HOSE AGAINST CONCRETE



... on the "concrete beater" Goodyear Style M Air Hose shows slow, even wear... no cuts or tears

—and proved it would outlast others under abusive service

PICTURE an air hose carrying full working pressure pounding and scraping across a rough concrete block over one hundred times a minute. No field service is half that rigorous!

But that's how Goodyear engineers set about developing a hose that would stand the rough usage encountered in mines, quarries and other heavy duty jobs.

One of the biggest difficulties was the cover—for when the cover scrapes through, the body weakens and soon you get a burst.

The "concrete beater"

To duplicate severest field conditions Goodyear engineers rigged up a machine they called the "concrete beater"—a motor-driven shaft through which air pressure could be applied, mounted over a concrete slab.

Then they coupled all makes of hose to this shaft—sent them

thump, thump, thumping against the rough rock at full speed—115 times a minute—until the cover failed and internal pressure caused a burst. And at first Goodyear hose didn't last any longer than the others!

So the engineers started over—spent weeks in perfecting a new heavy duck body of special weave—a new and extremely heavy cover of high tensile, abrasion-resisting stock—and put it on the beater.

Hour after hour this new hose hammered against the concrete—33 to 200% longer than other makes before the cover failed. And in total service it lasted 60 to 70% longer before bursting. Here, at last, was a hose that could "take it."

That is how Goodyear Style M Air Hose was developed, and the records for long-lived, trouble-free, economical ser-

vice it has piled up on the nation's hardest jobs proves it as superior as these first tests indicated.

Individually specified by 

Whatever type Goodyear Hose you buy—air, steam, acid, oil, paint, water or gasoline—will give you the same outstanding service because it, likewise, is specially developed to meet actual service conditions, and because every length is individually specified to its particular job by the G. T. M.—Goodyear Technical Man.

Many industries entrust all their hose problems to this qualified expert—perhaps he could cut your costs, too. A line to Goodyear, Akron, Ohio, or Los Angeles, Cal.—or the nearest Goodyear Mechanical Rubber Goods Distributor—will put his wide experience at your disposal.

BELTS • MOLDED GOODS
HOSE • PACKING

MADE BY THE MAKERS OF GOODYEAR TIRES

THE GREATEST NAME IN RUBBER

GOODYEAR

ground before this barrier in some cases, curtailing its measures, but forced others through on the claim that parliament had the power.

Job Insurance Program

First measures were for workers—unemployment insurance, 8-hour day, 6-day week minimum wages. All these the Liberals held unconstitutional but the government stood firm. Insurance is contributory, with levies on employees, employers, and the state. It provides benefits around \$6 weekly, with additions for dependents, effective a specified time after dues commence. Certain lines of employment are exempt. Several industries are exempted from the 8-hour day law. The wage law sets up standards for the whole country.

Agricultural assistance measures are extensions of the Federal Marketing Act of last year, the Farmers' Creditors' Arrangement Act of last year, increased farm loan provision, establishment of a livestock board and grain board, drought area rehabilitation. The Marketing Act, controlling marketing of natural products by a federal board and subsidiaries, is broadened. The law providing for compulsory adjustment of farmers' mortgage debt, widely invoked by farmers since it came into force a few months ago, is extended.

The big agricultural measure is the provision for a Federal Grain Board with monopolistic powers over the grain trade. This measure amounts to consolidation and extension of Bennett's policy, in application for 3 years, of supporting the wheat market. The new

board will take over the commitments of J. I. McFarland, wheat pool agent who holds practically all western wheat on government credit. The bill is enabling rather than mandatory: it gives the government wide powers in connection with the board to be created, which may or may not be used (BW—Jan 15 '35).

This measure went through with the strong support of wheat pool representatives and over the resistance of Winnipeg grain trade men and associated Eastern interests. Prime Minister Bennett himself presided over a special Commons committee which debated it in considerable detail during the last 2 year of parliament.

Business control measures recommended by the Stevens Commission were modified in the face of constitutional objections. Instead of a new separate body, the Federal Tariff Board becomes the proposed Federal Trade and Industry Commission. Its powers for enforcing regulations will not be as broad as originally intended, but it will direct enforcement of the Combines Act and other measures designed to remove abuses from business practices. New teeth for the Companies Act are designed to prevent exploitation of the investing public.

Housing Bill Disappoints

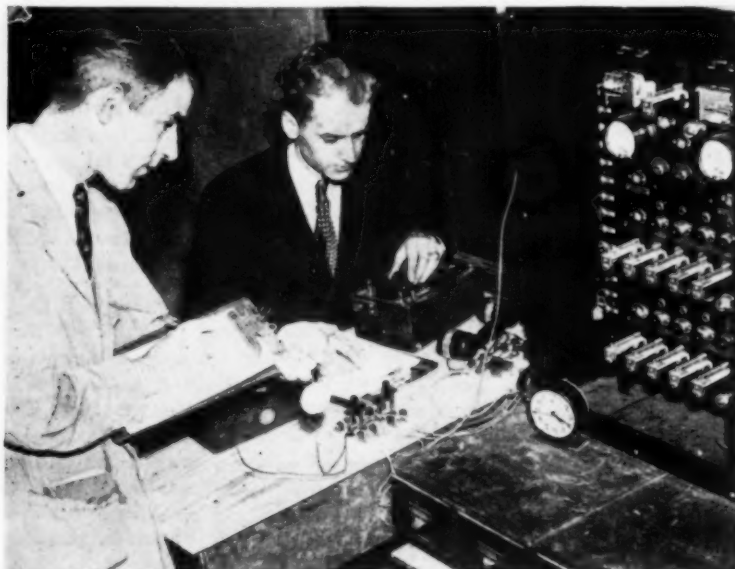
The government's housing bill, one of the final measures passed, was a disappointment. It creates a fund of only \$10 millions to stimulate and assist home construction. The prospective owner is required to put up 20% of the cost; the government will loan 20% at 3½%, if loan companies provide the balance at

5½%. The government offered the bill merely as a starter. The opposition condemned it as entirely useless, claimed no houses would be built under it, argued people desiring to build couldn't finance 20%. Objection of loan companies to proposed government competition in their field is understood to have influenced restriction of the measure.

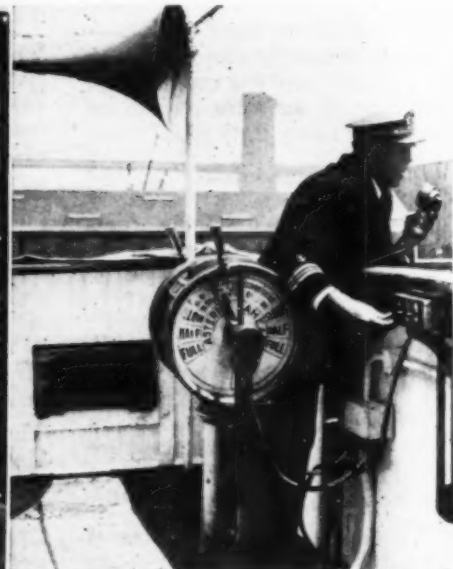
Early in the session a measure of "wealth redistribution" was accomplished by slapping heavy super taxes on arbitrarily defined "investment incomes."

Third Network

THE "third chain," much talked about before and since Ed Wynn's abortive attempt to form the American Broadcasting System, became an actuality this week with the formal issuance of the Mutual Broadcasting System's first rate card. Starting last October with an occasional exchange of programs among stations WOR, Newark; WGN, Chicago (both 50,000-watt stations); and WLW, Cincinnati (500,000 watts—largest in the country), the Mutual System first laid claim to the name of network early this year when it began selling commercial time on a group basis. Now it boasts that it is the first network to make money in its first year of operation. An increasing number of supplementary stations is now being made available. Mutual recently embarked on an extensive program of exchanging sustaining features with the Canadian Radio Broadcasting Commission.



Harris & Ewing



Hulton

FOR SAFETY AT SEA—Designed to render fire prevention aboard boats more foolproof, in accordance with the stringent new regulations drafted by the Bureau of Steamboat Inspection and promulgated last week by Secretary Roper, 2 new devices undergo exhaustive tests. At the left, Bureau of Standards research workers check a fire detector which is so sensitive that it will record the presence of flame at a distance of 200 ft. At the right, First Officer Peter Stolt of the S.S. Pastores demonstrates a new radio system which makes possible direct, 2-way communication between the bridge and any or all sections of the ship. The steel hull, rather than any network of wires, serves as a conductor. Guided Radio Corp. of New York City sells and installs the system.



Have your own Independence Day

AS our Forefathers declared our national independence on the Fourth of July, 1776, so you can declare your own future financial independence TODAY.

Write safety into your future. With the comforting assurance of financial ease ahead of you, a new sense of security, independence and happiness will be yours.

The earlier you start the better, so that you can arrange to have financial independence at age 55, 60 or 65. This can be done through a well thought out Life Insurance Program.

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The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.

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Without placing myself under any obligation, I would like to have information regarding a Retirement Income Plan.

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Frederick H. Ecker, President

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Game Relief—By Ding

Famous cartoonist unfolds plan to protect wild life and promote recovery of what is, after all, a big business.

THREAT of extinction to American game has provoked counter-moves on 2 broad fronts. The Roosevelt administration has a huge program for sanctuaries; there is a national campaign to induce farmers to raise and protect game as an income source (*BW*—Oct 27'34). Sound business as well as sentiment backs the drive. Wild life promotes an annual expenditure in the United States of \$650 millions—and it spreads all the way from the sale of fishing tackle to gasoline for the Nimrod's car.

"God's bounty is over so far as game in these United States is concerned. From now on it is man's job. This means it is the task of the federal government. Also that the government must have cooperation from everybody involved—particularly sportsmen and politicians—if we are to have any more game in this country."

Five-Year Plan

That, in a nutshell, is the wild game situation as J. N. Darling (Ding), one of the great cartoonists of all time, now head of the Biological Survey, sees it.

His plan is to buy every year for the next 5 years 600,000 acres of strategically situated waste and marsh lands with a view to natural nesting grounds and sanctuaries, including safety islands on the line of flight of migratory birds.

"If we can do that," he says, "and we are making the start, there will be perpetual duck and other game shooting in this country."

"If we do not, you might as well pack the old shotgun away in grease. You won't have a chance to use it. Your son may regard it as an interesting relic on a par with your grandfather's duelling pistols."

Shrewd Choice by F.D.R.

Some folks think the shrewdest thing Franklin D. Roosevelt has done since he became President was to turn Ding loose on his great hobby—restoration and preservation of wild life in America. Ding had been getting restive. He had been threatening to enter politics even more actively than through the opinion-molding chore of spreading a picture before the readers of some 300 newspapers every morning; pictures which were frequently devastating to those in high office. He had been a delegate to the Republican National Convention, just before Roosevelt was nominated in the same hall. From the same rostrum where Roosevelt a few weeks later made his acceptance speech, Ding twice addressed the G.O.P. delegates. Each time he was on the losing

side, but on the side realized later to be politically correct. He tried to make the Republicans go all the way wet, and he tried to nominate for vice-president a young Legionnaire instead of Dolly Gann's brother.

So now, instead of puncturing the New Deal's pet proposals every few days with a cartoon that might easily



DING'S DOING IT—There'll be a lot more wild life and a multiplication of human fun if J. N. Darling, cartoonist, now head of Biological Survey, succeeds in his far-reaching plans.

jar millions of its supporters in their loyalty to everything Roosevelt wants, Ding is busy trying to make various governmental agencies cooperate. And, remembering Hoover's sad plaint that the 3 different species of bear in Alaska were under 3 different government departments in Washington, this is not as easy as it sounds. That is, it might not be for someone else. But nobody in Washington has forgotten that Ding can draw cartoons—that he can make a few strokes on white paper and next day have the readers of 300 newspapers laughing at almost anybody.

Power of the Pen

Anyone who did not know that would be flabbergasted at the attention the man gets, at the deference paid him by Big Shots who know perfectly well that he might get mad next week and go back to drawing pictures.

Which means that this forthright, hard-hitting person, whose keenly caus-

tic comments in "Ding Goes to Russia" caused more pain among the Peace Communists of New York and Washington than any criticism so far made of the Soviet system, really has a chance to do something almost nobody else could do.

It also means that the wild life in this country, for the first time since anybody can remember, seems to have a chance to survive.

Needs Official Cooperation

He needs the cooperation of officials national and state. He needs votes in the House and Senate for appropriations for the next 5 years. And, if he stays put, he will get both. Politicians just can't forget the possibility of his going back to that drawing board.

"This country started," Darling told *Business Week*, "with a supply of wild game equaled by no other part of the world except Africa. And our game was the sort that man could live with—not elephants, lions, and rhinoceroses."

"But man came along, with shotguns, which were bad enough, but with an invasion of the natural breeding and nesting places, which was worse. We drained the swamps and marshes, plowed up the land which made shelter for wild life, and were rapidly approaching the point where all the birds and animals classed as game would become extinct."

"Some folks appreciated the danger. Various states set up game wardens, and established game preserves. In the last 25 years I have seen \$100 millions poured down a political rathole trying to preserve game. For the main objective was political fence building—not game preservation. If there was a deserving party worker who needed a job, but was too dumb to do anything else, he was made game warden. They bred birds and animals and turned them loose in a locality where they could not possibly survive. They made just about every mistake it was possible to make."

Return Waste Land to Game

"We want to take the waste land, land proven unproductive, particularly marshes, drained lakes and swamps, and fit it for nesting and breeding areas. Why, in many instances the muskrats were a better and more profitable crop than has been raised on drained land since. We will stop up the drainage ditches, make reservoirs against dry periods, and fit the land for its original purpose. Incidentally, we have acquired 117,000 acres near Minot, N. D., in this plan, and we expect to save that state the average of from \$750,000 to a \$1 million of flood losses while establishing a marvelous nesting area for ducks and geese."

"Our 1935 program calls for 600,000 acres. All the land is under option and we expect to go ahead. Most of

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IN THE SOUTH!...**

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In giving to the south its first stream-lined, Diesel passenger train, the Gulf, Mobile and Northern Railroad turned to Texaco—who for many years has lubricated all of their trains efficiently and economically.

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They are exceptionally free from "carbon-depositing" elements.

This gives fewer stuck rings and lower fuel consumption.

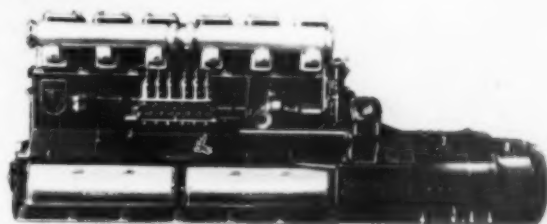


Photo of power plant courtesy McIntosh & Seymour Corporation

Texaco provides lubricants suitable for all types of engines, rolling stock, shop machinery and maintenance-of-way equipment.

And when you place the experience of a Texaco engineer at the disposal of your own men, they are greatly aided in their efforts to step up the efficiency of your units—lower the cost of your operations. This cooperative service is yours for the asking.

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THE TEXAS COMPANY, 135 East 42nd Street, New York City

TEXACO *railway* **LUBRICANTS**



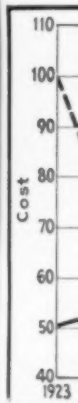
Good editing puts teeth in a magazine—makes it cut deeply into the consciousness and imagination of its readers—gives to advertising pages the drive that rips through sales resistance.

THE American MAGAZINE

the Crowell Publishing Company...COLLIER'S, WOMAN'S HOME COMPANION, THE AMERICAN MAGAZINE, THE COUNTRY HOME... Combined Circulation Over 5,000,000

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JULY 6,

It is in a big triangle from the upper peninsula of Michigan, to the Northeastern corner of Montana, and down to a point near Alliance, Neb. I would call this whole triangle an intensive nesting area.

"Similarly we want to acquire various winter sanctuaries for the game in the country between Texas and Tampa, Fla. Then on the major flyways of the migratory birds we want to establish islands of safety.

"If we can keep this up for 5 years we will make duck shooting perpetual in the United States.

Big Game Reservoirs

"On big game we want reservoirs for each species. That is the federal government's responsibility, though it is hard to get people to agree with me about this. Out in the West there are about 10 million acres, well distributed, which are the hereditary range of the big horn mountain sheep, the antelope, the elk, the sage grouse, the white tail deer, the wild pig, the mountain goat, the prairie chicken, the wild turkey, the moose and the caribou. We are out to protect them there."

Leading the drive to make birds a farm crop is More Game Birds in America Foundation (New York). It backs the state and federal governments in teaching farmers how to protect game and how to cash in by selling hunting rights to clubs and individual gunners. Where farms are small, they are combined into areas that act as units in the sale of hunting privileges, in stocking and policing the preserves. The Foundation thinks a farm bird crop worth \$300 millions annually can be developed.

Tire Trick

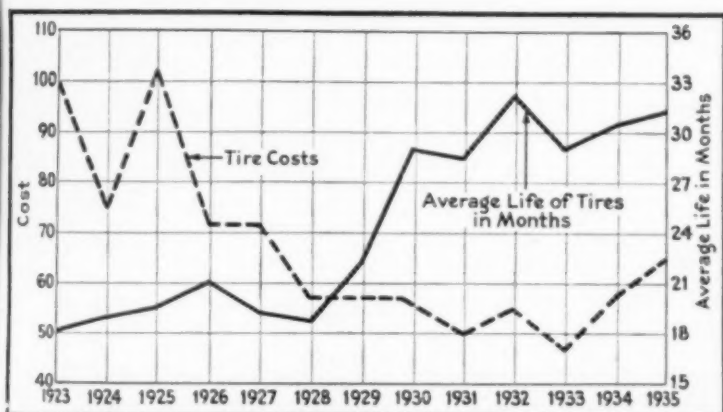
Mail order house invades Chicago Loop to sell car supplies at parking stations.

MONTGOMERY WARD's tire department executives who have made the big mail order house one of the largest distributors of tires in the country, are trying a new stunt: selling parkers. With this move the company invades Chicago's Loop for the first time since 1910.

Arrangements have been entered into for sale of tires and tubes at the 20 Loop open-air parking stations operated by R. G. Lydy, also merchandising of auto radios, batteries and motor oil.

Ward hopes that servicing and replacement of tires and batteries without loss of time to motorists will prove a sales argument. The autoist drives into the parking station in the morning, orders a new tire placed on the wheel, or new tube inserted, and finds everything ready when his day's work is done; hours of free parking are granted with every tire purchase.

Ward also sees in present conditions an opportune time to open new stores in smaller communities. Leases have just been signed for 10 new units—"B" and "BC" gradings identifying its department and specialty stores in other than metropolitan cities—in Portland, Me.; Lakeland, Fla.; Boone, Estherville and Creston, Ia.; Owatonna, Minn.; Belleville, Peoria, and Murphysboro, Ill., and Sioux Falls, S. D. These will be opened later in the year, some in new buildings, others in reconstructed quarters. They will bring the number of Ward stores to 500.



WANTED: A PRICE INCREASE—When tire manufacturers study this chart, compiled by the General Tire & Rubber Co., and see how a price increase to cover increased material and labor costs could well be justified to the consumer in terms of the increased value of the product, they become increasingly anxious to see quotations move up on an industry-wide basis. Several factors combine, however, to nullify that hope: (1) inadequate consumer demand (consumers got too well stocked up at low levels during the spring price war); (2) heavy inventories, which threaten another price campaign to move stocks; (3) tradition—in the form of Fourth of July bargain offers—a free tube and two 10% discounts. It's hard enough now to get back to the June level without planning any boosts.

"It cuts deeply into the consciousness and imagination of its readers"

that's why

THE **American** MAGAZINE

wins consistent applause from advertising men:

"Your editorial people are to be congratulated upon the fine job they are doing."

Egbert White, *Vice-President*
BATTEN, BARTON, DURSTINE & OSBORN, INC.

* * *

"A grand job has been done by The American Magazine!"

Franklin Bell, *Advertising Manager*
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* * *

"I have been watching the development of your new editorial program with much interest and wish to compliment you on its effectiveness."

Thomas D'A. Brophy, *Vice-President*
KENYON & ECKHARDT, INC.

* * *

"It is one of the very few magazines which I take the time to read. I find all of its features interesting and enjoyable."

Howard J. Mountrey, *Vice-President*
THE BORDEN SALES COMPANY, INC.

* * *

"I think you are doing a splendid job with this publication."

Edwin O. Pettin, *Vice-President*
McCANN-ERICKSON, INC.



Holding your own as a business executive—



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easier
by these books

There is nothing sadder than the cases of star performers in production, in sales, accounting, or other departments of business practice, who fail to take hold when faced with executive duties and opportunities. The problems of analyzing, deciding, planning, and administering involve broad fundamentals that, consciously or otherwise, the successful executive uses every day. And to provide a comprehensive, adequate treatment of these principles, is the purpose of this library.

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These books give you the seven fundamental principles upon which executive success depends: 1. Know yourself and how to lead others. 2. Know your own business and business generally. 3. Know how to organize and manage your own department or an entire organization. 4. Know how to budget and forecast and plan for the future. 5. Know finances and how to make full use of your bank. 6. Know how to talk convincingly—how to sell your ideas and influence others. 7. Know how to think—how to analyze problems and arrive at correct solutions. Step by step this Library takes up these basic principles and shows how they may be mastered and applied.

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Used Car Campaign

Chevrolet dealers take national space to push sale of higher priced used models.

WHAT to do with used cars is a problem that has given automobile dealers many a nightmare. Just as troublesome today as in any previous year, used-car merchandising is nevertheless being made somewhat less rigorous by the advice—and outright help—which factories are giving their dealers in how to keep trade-ins from eating up profits on new car sales.

Latest move is Chevrolet's. It recognizes the fact that there are 2 kinds of used cars to be sold—junky-looking, obsolete models at \$25-\$200 and cars only a year or two old, selling at \$400-\$500. Classified advertising pulls in the prospects for ancient vehicles, but it doesn't work so well for the ritzy models whose prices are dangerously close to the new car quotations. This market can be reached only through the same media used to push sales of new cars.

So, at least, reasoned Chevrolet, whose nation-wide dealer organization has arranged for a cooperative national advertising campaign in newspapers and magazines of general circulation to carry to the public the pledge that all members will stand back of the used cars they sell. The campaign will supplement the dealer's local newspaper advertising, just as Chevrolet's national advertising supplements local new car copy.

Ten years ago Chevrolet pioneered its "red tag" guarantee as a means of certifying used cars worthy of the buyer's confidence. The dealer was provided a supply of large red "Guaranteed OK" tags each bearing a list of various mechanical features of the car which were checked during reconditioning and inspection of trade-ins, and which thus assured the buyer of dependable transportation. This plan gave the used-car business a healthy boost. Chevrolet's general sales manager, W. E. Holler, reasons that the new move should render material assistance to the dealer organization in bettering last year's record of 1,160,000 used vehicles sold.

Public Be Pleased

WHEN South St. Louis householders complained about the limestone dust that settled on their flagstone walks from the neighboring plant of the Alpha Portland Cement Co., Alpha changed from dry to wet sludge process. Result: more uniform product but added heat costs. To combat this, the company installed a German-made unit which utilizes the waste stack heat (500-800 deg. F.) to dehydrate the sludge and deliver it through piping, dry and pre-heated, to the kilns.

Guffey Coal Bill Seems Weakling

Probably will be enacted, but it looks too feeble to rule prices, as labor and some operators desire.

UNWORKABLE and unenforceable as it now seems to be, the Guffey coal bill will probably be passed by the Senate, following its victory in the House. There are 3 reasons for the bill's defects: (1) Pressure to get something through so a coal strike might be avoided has nullified intelligent consideration. (2) The opposition is so intent on killing the bill entirely that no effort is being made to get amendments that would improve it. (3) The bill has been handled in each house by a committee overwhelmed with other important work.

When Senator Joseph F. Guffey of Pennsylvania introduced the bill in January, it contained elaborate labor provisions. On the marketing side, to help operators to pay the wages, Senator Guffey proposed a plan for minimum prices supported by control of production through a system of quotas. It was an adaptation of the method prescribed in the British coal mines act of 1930. It has worked well in the United Kingdom but it would be difficult to administer in the United States.

Production control and minimum prices have been taken out of the Guffey bill, although the commission proposed in the bill is authorized to fix minimum prices. Those failing to charge the minimum prices fixed by the commission would lose their drawback from the 25% tax imposed.

Too Big a Job

As the bill now stands, many feel that prices cannot remain suspended in the air, like Mohammed's coffin, without support from production control, and just by fining people who cut the price. Some members of the committee believe it would take an unprecedentedly vigorous commission, with millions of dollars to spend for accountants, auditors, and snoopers, to enforce the prescribed prices.

Even then the commissioners would have a problem comparable to that of enforcing the Eighteenth Amendment. Under the NRA code, there were 28,000 different coal prices. There are 5,000 commercial mines shipping coal to 90,000 carload buyers. Most operators would like to see their neighbors observe the minimum prices but they themselves would like to be able to sell for less. Most buyers would be glad to enter into some evasive arrangement. Compliance would be more difficult than it was under NRA.

Suggestions are being made that the marketing features of the bill could be strengthened by developing cooperative

marketing agencies under the commission. If there is going to be a regulatory commission with power to fix prices in interstate commerce to protect the consumer, it is argued that it might just as well set up marketing agencies that could go further than the court decision in the Appalachian Coals case said that agency might go.

In that case the court was considering a single agency embracing 70% of the tonnage in one district. The court thought that such a single agency was not a violation of the Sherman Anti-Trust Law. If Congress is going to create a commission like the ICC to regulate coal, it might authorize the federation of 100% of the tonnage in a district. Even the district agencies might be allowed to get together in inter-district agreements to stabilize prices, all under commission supervision.

Sales Taxes Spread

Over half the states tax sales in some way. New Jersey, latest in, will lose business across border.

IMPOSITION of a sales tax by a state rarely has caused more repercussions, and started more controversies than in New Jersey, which on July 1 became the twenty-fourth state to make such levy.

New Jersey's 2% tax is expected to cause a considerable shift in buying in one of the country's most important trading areas. Experience elsewhere has shown that imposition of a sales tax by a state adjoining others which have none drives much business across the borders. A large part of the New Jersey population is within easy reach of New York or Pennsylvania shops. The New York city sales tax is not collected on goods delivered to New Jersey. Pennsylvania imposes only a mercantile license tax which has slight, if any, effect on retail prices. Advocates of uniform taxing laws predict that treaties between states will become necessary wherever across-the-border shopping seriously affects the normal flow of trade and, they add, that there would be no such problem if all states levied a sales tax.

Meanwhile, the National Industrial Conference Board points out that, as of July 1, 1935, half of the states will be collecting sales taxes of various types: *General sales tax*—Arizona, North Carolina, Washington; *Gross income tax*—Indiana, West Virginia; *Gross receipt tax*—Mississippi, New Mexico; *Retail*



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THIS date marks the opening of the next semi-annual Leipzig Trade Fair. For more than 700 years these Fairs have been held. Today they attract the shrewdest business men from the four corners of the world.

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The 5,000 exhibits in the *General Merchandise Fairs* cover every line for the department store and the specialized store. In the *Building, Home and Industrial Equipment Divisions* of the Fall Fair, there will be 1,000 exhibits of special interest to manufacturers, engineers and architects.

Whatever your line of business, you should plan now to visit the Fall Fair — August 25th to 29th. Get in touch with us and let us give you the detailed information on the lines in which you are interested — help you determine the profit possibilities for your firm, in covering the Leipzig Trade Fairs. . . . The round trip can be made comfortably in three weeks' time and for as little as \$350.00.

Various travel discounts and special courtesies are offered to Fair visitors. Let us tell you about them. Please write for Booklet No. 39. Our New York Office — or an Honorary Representative in your vicinity — will be glad to assist you in every possible way. Leipzig Trade Fair, Inc., 10 East 40th Street, New York City.

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TRADE FAIRS**



TEAR GAS FOR TACOMA—When sawmill operators in Tacoma decided to re-open and some of the strikers decided to return to their jobs after a 2-month tie-up of the Pacific Coast lumber industry, National Guardsmen and state police were on hand to preserve order. But strikers—90% of the industry's employees—decided to keep picketing. Result: tear gas bombs to disperse them from in front of the Federal Building where strikers were protesting arbitration proposals.

sales tax—Arkansas, California, Colorado, Idaho, Illinois, Iowa, Kentucky, Maryland, Michigan, Missouri, New Jersey, North Dakota, Ohio, Oklahoma, South Dakota, Utah, Washington, West Virginia, Wyoming.

In rates of sales taxes imposed Missouri is the most modest, collects only $\frac{1}{2}\%$. The majority of states take 2%.

Illinois on July 1 joined Kentucky, Michigan and Ohio with a 3% rate.

Those who have watched these sales tax laws grow more numerous point out that, in practically every case they have been introduced as emergency measures and carry specific dates of expiration. However, they predict that most of them will be renewed.

Labor Relations Runaround

Struggle over Wagner Labor Act will include deft footwork by lawyers for both sides.

SIGNED by President Roosevelt this week, the Wagner Labor Relations Act faces a stormy future. Some employers will disobey it, directly or by circumvention. The government and organized labor will try to enforce it. Both sides will spar for position, keeping an eye on the referee and ultimate judge—the Supreme Court of the United States.

E. T. Weir, chairman of the board of the National Steel Corp., asserts that the act is unconstitutional. Other executives in the steel industry, as well as employers generally, concur in this opinion. Mr. Weir defeated the government in a crucial labor case under the NRA, when Judge John P. Nields in the United States District Court of Delaware acquitted Weirton Steel, a subsidiary of National, and ruled that the Weirton employee-representation plan was legal under NIRA and that Section 7-a could not legally be applied to com-

panies not engaged in interstate commerce.

Lawyers played a leading rôle in the feints and shifts, the tactics and strategy, that led up to the Weirton decision and to the final knockout of NIRA. Lawyers will be equally important in the battle over the Wagner act. Both sides will center their main effort on one point: "How can we avoid making a decisive fight on our hundreds of comparatively weak cases, and finally get to the Supreme Court with the case in which we are strongest?"

General Johnson has repeatedly taken a rap at Donald Richberg (without naming him) by declaring that it was a mistake to go to the Supreme Court on what the general calls "the sick-chicken case." Admittedly the government would not have been quite so weak if it had picked another case to go to bat on. The government lawyers still wince when they

think of that mistake. They will try not to repeat it. Moreover, organized labor will do a little trying on its own account.

The American Federation of Labor has lawyers of its own. They have been working on the Wagner bill for months. They know its weaknesses. They will sit in with Attorney-General Cummings and his assistants, urging them to play dead on such-and-such a case, to drop some other case if it has been mistakenly started, to refrain from appealing another case in which a United States district or circuit judge has ruled for the defendant—and finally to pick one particular case and push it up to the Supreme Court.

Want Interstate Case

This chosen case, if the labor lawyers have their way, will unmistakably involve interstate commerce; for they fear that the congressional assumption of authority over labor disputes in local situations would be rejected by the court. If once they can get the Supreme Court to approve the main provisions of the act in cases affecting interstate commerce, the labor lawyers will consider themselves in a better position to face a test on local cases.

Meanwhile, the lawyers for big business will be equally on the alert, stalling for time in some instances, and constantly maneuvering to avoid government prosecution of weak cases, and to force their strongest cases to the front. Thus, when Richberg made the slip of going to the Supreme Court with the Schechter prosecution, the defendants' young lawyer was instantly reinforced by a volunteer—Frederick H. Wood, of the strong New York law firm of Cravath, DeGersdorff, Swaine, & Wood, which is counsel for Bethlehem, Westinghouse, and other large industries. There will be equal vigilance by business lawyers during the skirmishes and sieges over the Wagner act.

As finally agreed on by both Houses, the act provides that the labor relations board shall be an independent agency, instead of being placed in the Department of Labor, as Secretary Perkins had urged. The House receded from the amendment it had added to the bill, providing that the "unit" for collective bargaining shall in no case "include the employees of more than one employer."

Bargaining Units

As passed, the act provides that the board shall decide whether "the unit appropriate for the purposes of collective bargaining shall be the employer unit, craft unit, plant unit, or subdivision thereof." The final words in the Senate provision had been "or other unit." This would have permitted a unit to include an entire industry. Apparently this is not permitted by the act as passed. So it seems that the board will not try to hold industry-wide elections in which all employees will be polled.



Its Quality shines brightest after 10,000 miles

People who have examined the new Master De Luxe Chevrolet marvel at its quality. Very likely *you* will marvel, too . . . because Chevrolet has made this car so big and sturdy—so *fine* in every part—that it no longer looks or acts like a low-priced car! The most pleasing result of this high quality manufacture is that the Master De Luxe will continue to give real satisfaction long after you are satis-

fied you have received full value for the money paid for it. This new Chevrolet has a habit of staying young. Its quality shines brightest after ten thousand miles. The most surprising thing of all is that its prices are among the lowest and that it gives the greatest operating economy in Chevrolet history. But, as we have said before, quality is remembered all the more pleasantly when price is so low.

CHEVROLET MOTOR COMPANY, DETROIT, MICHIGAN

Compare Chevrolet's low delivered prices and easy G. M. A. C. terms. A General Motors Value

CHEVROLET
for 1935

TURRET-TOP BODY BY FISHER (WITH NO DRAFT VENTILATION) . . . IMPROVED KNEE-ACTION RIDE . . . BLUE-FLAME VALVE-IN-HEAD ENGINE . . . WEATHERPROOF CABLE-CONTROLLED BRAKES . . . SHOCK-PROOF STEERING



(Trail riding in the Canadian Rockies—Canadian Pacific Photo)

"Fish bite today sure. Why we ride ten miles just for magazine?"

"Yes, I know, Pete . . . but when I'm playing trumpet from my desk I need my Business Week more than ever."

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Copper Is Nervous

Controls over red metal prices will be hard to restore, but statistics are on the side of the optimists.

COPPER settled down to a state of nervous convalescence this week after making itself conspicuous as the outstanding example of post-NRA collapse. Copper interests are not happy over the current situation. So far, there has been utter failure to conceive, within legal limits, a control framework that would effectively substitute for the NRA market controls which kept the domestic Blue Eagle price at a steady 9¢ for a solid year. It was this failure of the struggling committee, composed of the industry's best legal minds, that precipitated the price wobbling on June 21 which culminated several days later in an industry-wide price drop of 1¢ per lb., the most precipitate decline that copper had witnessed since 18¢ copper fell off its perch in 1930.

Post-NRA Slump

Unhappily, the NRA blow fell when copper was shining its brightest. On the very day of the Supreme Court decision, export copper made the highest daily average price of the year. A month later it had fallen almost 18%. Moreover, the world picture, as well as the domestic, became clouded. The fledgling world production agreement which went into effect on June 1 and contemplated a reduction of 240,000 tons in world output for the ensuing year, was based upon participation of the United States under the controls which NRA provided. With NRA gone, United States copper lost the basis on which it could assure living up to the world production agreement. Copper executives shortly boarded eastbound vessels with an eye to shoring up the world pact.

Cheerful members of the domestic trade still look for ultimate salvage of workable and legal marketing agreements.

Outlook Encouraging

Their expectations are not at all ill-founded. For one thing, the unsettlement has arrived at a time when statistics are much more promising than those of a year ago. Surplus stocks have been about cut in half and production is down to a level that can be nicely accommodated by present consumption rates. In addition, the price decline has placed copper in a position where there is little incentive to increase output. Trade opinion generally holds that copper is cheap.

Current buying is at low ebb and morale is scarcely any better. But this in itself is favorable to later improvement. Trade interests hope that the existing slump in sentiment can be merged with the usual seasonal slump in business at this time and the whole dose of shakiness swallowed in one summer, bringing

SUNK BELOW THE PROFIT LINE -- BY

"OBsolescence TAX"

The dark portion of the circle indicates the percentage of equipment in American industry which is estimated to be more expensive to operate than to replace. The recent Machinery and Allied Products Institute Report shows 18½ billion dollars worth of equipment needed by industry. At an average net saving of only 10 per cent by new equipment, the cost per year of obsolete equipment is now nearly 2 billion dollars.



Are you overlooking your own best experts on "tax repeal"?

Most taxes impose a burden that is hard to budge. But the tax laid on your profits by old machinery, costing more to keep in use than to replace, *can* be repealed in a hurry if you consult the right experts.

A talk with your own operating men and plant engineers may bring to light startling possibilities for saving. These men are your own best "tax repeal" experts. Let them show which equipment can be replaced to your profit. Then let your own good judgment decide where to begin—and when. Abundant evidence suggests that NOW is a good time to make replacements. Unless your plant is a marked exception the opportunity for savings is too good to overlook.

FI 52054

Westinghouse cooperates with machinery manufacturers and their customers in the design and application of improved electric drive for every industry.



... Westinghouse

the industry up to fall revival time in a healthy state.

A fleeting belief that the government would accept for its own projects only copper produced under former code conditions was dispelled quickly. Acceptance of bids on recent navy con-

tracts well below the former Blue Eagle price illustrated the impossibility of that procedure and, at the same time, advertised the fact that the Blue Eagle 9¢ level had been unquestionably sent into the discard. From then on copper was an open field.

Guaranteed Mortgages—and Grief

The first led to the second. But 5 service corporations in New York are using new techniques in managing \$1,300 millions of securities and realty.

ONE of the major salvage jobs of the depression involved the \$3 billions of guaranteed mortgages in New York that went into default (*BW*—Jan 5 '35). Remaining in the works after an initial cleanup are \$800 millions of certificates of ownership interests in large properties and in odd lots of small properties; and \$500 millions of whole mortgages covering large individual properties. The servicing of these realty cripples has developed techniques of possible value throughout the mortgage field.

Most of the grief fell into the lap of the state Insurance Department. When the mortgages went dry the 300,000 certificate holders made such loud and disagreeable noises that it became a political threat. The state took the supervision of properties from the original issuing companies and organized new service corporations to rehabilitate underlying realty for mortgagees' benefit.

State Services Properties

There are 5 of these corporations, each handling the issues of the 5 original large companies, with a sprinkling of extras from the smaller guarantee concerns. The records and personnel of the original companies were usually carried over, but with authority entirely divorced from the old management. The operation of the 5 service corporations in wholly owned mortgages is supervised by the Insurance Department, but the servicing of the certificated properties is under a State Mortgage Commission created for that purpose by the last legislature.

The largest servicing organization is the Bond & Mortgage Guarantee Corp. It is nursing 50,000 mortgages issued by the old company of the same name. The total obligations are over a half-billion dollars. This extraordinary accumulation of distress securities necessitated a different kind of servicing technique. Richard A. Brennan, president of the corporation, devised a new "unit system" for the supervision of underlying properties.

Briefly, about 350 mortgages are assigned to a supervisor, to whom all information on these issues automatically flows. Instead of a tour of different de-

partments being necessary to determine the status of a given security, there is always available one man who is familiar with its entire history, its current condition, and its prospects. Each unit man has 30 to 40 interest maturities a month to handle. Important servicing activities are check-up of interest, amortization, tax payments, water assessments, insurance, and supervision of property maintenance.

Force Interest Compromises

The servicing official stands as a buffer and mediator between the mortgage holder and the owner or occupier of the property. Tax and interest arrears, and reduction of the interest rate, are the principal points of conflict. The owner is always bewailing his inability to pay. Foreclosure of the lien is the best weapon against his stubbornness. Improved renting conditions are indicated by a higher rate for compromises on interest; a better attitude regarding interest cuts is being shown by many mortgagees, who lean toward mercy. The mortgages were issued at from 5½% to 6%. Compromises—aided by low yields in other fields—run from 4% to a little better.

Coordinated to servicing the mortgages of accepted standing is the vastly more intricate job of supervising properties under complete control through assignment of rents, foreclosure, or surrender of deeds. Bond & Mortgage has 22,000 such properties in New York City and nearby counties. Included is everything from can-strewn vacant lots to snooty Park Avenue apartments. The active handling of the properties is let out to the regular management concerns, which are paid rates set by real estate boards—2% of gross collections in the case of New York City. Rentals are made through established channels, and the average occupancy has been pushed to around 92% (close to normal). Many properties are now meeting expenses and chipping away at arrears.

An idea of the variety of headaches involved in handling this conglomeration can be had from its diversity of units. There are 2 swimming pools—one of them especially wet as to the



Harold A. Brennan

MORTGAGE MEDIATOR—As president of Bond & Mortgage Guarantee Corp., Richard A. Brennan has 50,000 distress mortgages to nurse along to the satisfaction of both owner and mortgagee. Title on 22,000 have been surrendered outright; hence he operates all kinds of realty from tenements to golf clubs and swimming pools.

future, because part of it encroaches on another property. Also 2 beach clubs. Also a golf club with 4 full-sized 18-hole courses. Also a 25-room Long Island chateau, once owned by some Vanderbilts, later operated as a high-hat inn. Also miles of apartment-houses.

Some of the last are in Harlem. And these are proportionately steadier producers than the unwanted palaces. For here housing is cut to its ultimate thinness. Not only do the apartment tenants habitually rent their beds to a maximum of roomers, but some of them also enroll day and night platoons, one shift sleeping while the other works.

Realty School

Chicago appraisal course signs up some post-graduates.

THERE aren't many "know it alls" among real estate appraisers. Some of the best known valuers in the country admit they can learn more, are going back to school for 4 weeks. Announcement that a professional course will start Aug. 5 at the University of Chicago, sponsored by the school of business of that institution and American Institute of Real Estate Appraisers, already has brought applications from such "stu-

dents" as 2 presidents of state real estate associations, past presidents of several boards, a number of fee appraisers of HOLC and FHA, 2 staff appraisers of HOLC, as well as several men who have distinguished themselves as expert valuers in court cases. Heads of mortgage companies and mortgage departments of banks, real estate and trust companies are among early applicants covering residents of 15 states. The "students" may live on the campus.

Lottery Longings

Prominent New York women form organization to keep gambled dollars at home.

ANGELS rush in where menfolk fear to tread. Translating into action a mumbled wish for lotteries as a taxpayers' relief measure, prominent New York women have formed the National Conference on Legalizing Lotteries. There is a sprinkling of men's names among the founders but the courage back of the drive is admittedly feminine.

Whatever ethical bricks may be tossed at it, the organization is socially impregnable. Mrs. Oliver Harriman is chairman. Other backers include Mrs. Henry M. Alexander, Mrs. Irving Brokaw, Mrs. Amos Tuck French, Mrs. Dewees M. Dilworth, Mrs. John H. G. Pell. They hope to enlist Mrs. Charles H. Sabin who did so much for the national treasury (and tipplers) by campaigning against prohibition.

First step in the N.C.O.L.L. drive was a luncheon at which the official poster was unveiled. Howard Chandler Christy did the picture. It shows a handsome gal (symbolizing the controlled lottery) comforting the poor and the sick. Maybe one of the background figures is the forgotten man who is sick of paying taxes.

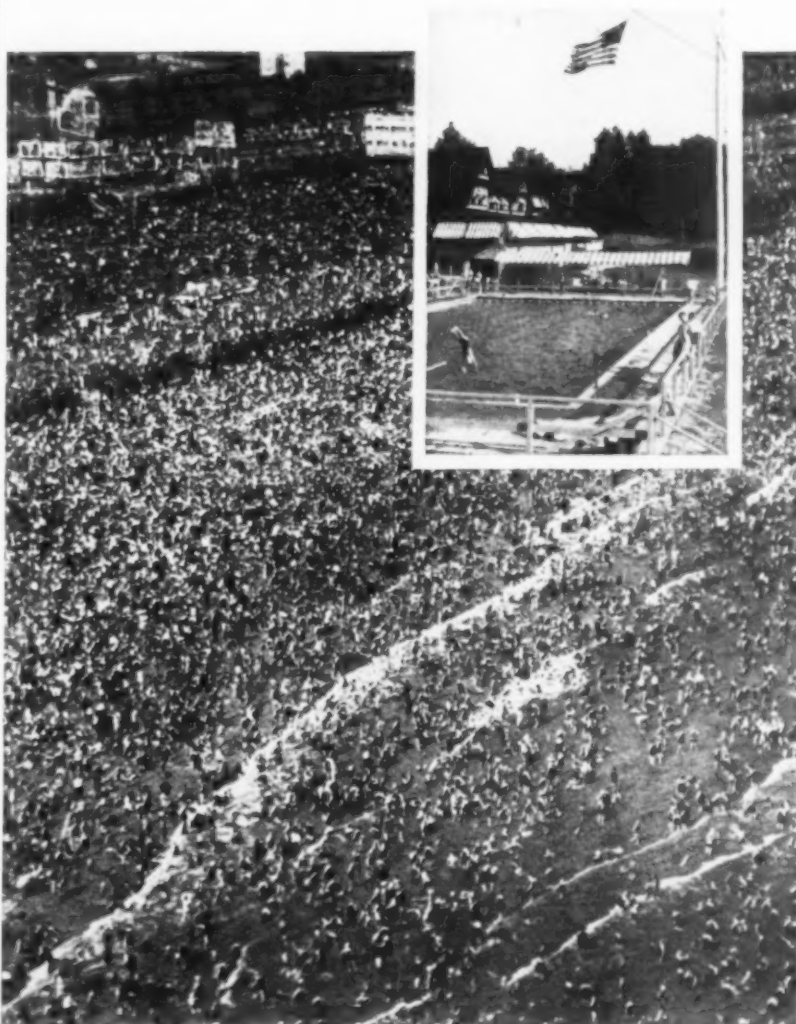
In addition to wealthy supporters, the conference will seek a national membership of 100,000 or more. These last pay \$1. The organization is non-partisan and non-sectarian. It hasn't any detailed plan. First proposal is a thorough examination of technique in countries where lotteries are legal. It wants the federal lottery act repealed but doesn't want a national lottery. It thinks that probably the best plan is government supervision of private and local lotteries with a heavy tax for charity and relief.

We Gamble Anyhow

What irks these honest crusaders is a steady increase in taxation while millions from America go to lighten burdens abroad. It is alleged that \$1 billion goes to foreign lotteries (sweepstakes and such) annually. Another billion is said to be surreptitiously played

ALL RECORDS BROKEN

As Millions Flee City's Heat



CONEY ISLAND—a million New Yorkers cooling off, on a sweltering hot but ever so "Glorious Fourth." Same scene, smaller scale, could be snapped near any big city—for the cool blue water sure looks good when the mercury starts to climb. Where there isn't any nearby seashore, people seek relief in an "ocean" reduced to more convenient proportions, like the pool above.

For pools and all other exposed structures, 'Incor' 24-Hour Cement lowers the cost of obtaining watertight concrete. 'Incor' cures or hardens in one-fifth the usual time. That means: (1) thoroughly watertight curing in 24 to 48 hours, instead of 7 to 10 days with ordinary cement; (2) concrete forms removed in 24 hours, instead of 7 days—one form-set does the work of 2 or 3—a big saving; (3) job completed weeks sooner. 'Incor' is made and sold by producers of Lone Star Cement, subsidiaries of International Cement Corporation, New York; also sold by other leading cement manufacturers.

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'INCOR' 24-Hour Cement



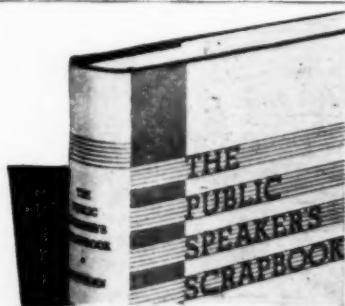
The Move that WINS!

Sales executives who use WLW often express amazement, not only at the coverage of this station (for they know it is the most powerful in the world), but also at the way the goodwill and following of WLW reflect themselves in sales.

Many items have been lifted from comparative obscurity to first preference over a large area by WLW. This in a relatively short time and at a surprisingly low cost.

Ask us to prove what WLW has done in your own field.

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Ideas and material for the speechmaker

At last, a practical book for the business speaker, giving the principles and psychology of speech building, together with an ample selection of suggested material. Do you know how to get an effective beginning?—inject suspense?—find apt illustrations, serious and humorous?—close forcefully? This book tells.

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on such racketeer-controlled domestic gambles as the "numbers." This is a policy racket (the player choosing his figures). It became a heavy supporter of gangsters when prohibition went out.

Nothing "Habit-Forming"

The N.C.O.L.L. would have nothing like the "numbers" which prey on the poor, are habit-forming. Preferable is a periodical lottery with the integrity of drawings and payments under government eye. Trouble with the Louisiana Lottery (conference members think) was private control that was dishonest and used huge collections for political corruption.

Who are we to be so darned moral about such gambling? Congress raised funds for the Revolutionary War with lotteries. The same device financed the struggling colony of Virginia, produced pre-revolutionary buildings for Yale, helped Harvard's early collections.

Other moves for capitalizing the gambling instinct are afoot. Congressman Edward A. Kenny has sponsored a bill for a national lottery which is now before the Ways and Means Committee. Ernest W. Burgess, head of the American Sociological Society and a University of Chicago professor, wants Illinois to legalize all forms of gambling. He pooh-poohs the idea that it is a crime builder. Well conducted gambling will, he thinks, reduce crime and help de-finance the grand mugs of the prohibition era.

Tallow Hedge

Soap makers get futures market for an important commodity.

NEW YORK Produce Exchange launched a futures market in inedible tallow last week, the only market in the world where the soap people can hedge this principal soap ingredient of which we produce a greater quantity than any other country.

Better than one-third of our soap is tallow-made, the balance coming from cocoanut and palm oils, greases, cottonseed oil, whale, fish, olive and other oils and fats. Imports of cocoanut oil dropped more than one-third in 1934 after the government placed an excise tax of 3¢ a pound on copra imports from the Philippines and 5¢ on foreign copra. Soap people turned to tallow, although tallow production has been hurt by huge drought and slaughter loss.

Palm oil is not so popular, except among manufacturers who make colored soaps, since it is hard to bleach. Makers of colored laundry soap, however, don't care which available ingredient they use, if the price is right.

The new tallow contract is for one tank car of 60,000 lb. loose tallow, untreated and unbleached.

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Advisors' Problem

Roper's council loses some members; others think they still have a job to do in Washington.

ON July 10 a meeting of Secretary Roper's dogged Business Advisory and Planning Council will be "news" for the first time since the President made news out of such a meeting by reporting it to his press conference as a demonstration of business support for the Administration against the highly critical May convention of the Chamber of Commerce (BW—May 18 '35). One reason will be that this meeting has been preceded by such resignations as were threatened following the White House incident.

Last week saw the departure from the Council of Robert L. Lund, chairman of the board of the National Association of Manufacturers, Howard Heinz, president of H. J. Heinz Co., Harold C. Smith, president of the Illinois Tool Works, and Edward L. Ryerson, Jr., president of Joseph Ryerson & Son. Secretary Roper's statement that their places would be duly filled to make up the original roster of 52 business advisors was buried under Washington comment that these gentlemen had dropped into the wide rift opened between the Administration and business when the President swung leftward toward wealth-sharing, death sentences for holding companies, and Senator Wagner's ideas on labor relations.

Board Function Valuable

Speculation on whether the July 10 meeting would be the last session of the Council has been met by indications that a number of the remaining members feel that their liaison job is important despite the difficulties which have been raised, that the Council is at least a means of officially registering the business point of view even if its advisory functions are curtailed. Furthermore, the July 10 meeting will begin consideration of legislation for a new NRA on a voluntary code plan and the Council believes it can play an effective part in this job.

Meanwhile, the Administration has lost another business advisor. Gen. Robert E. Wood, chairman of the board of Sears, Roebuck & Co., is out of the Federal Allotment Board set up under the work relief program. Newspapers said, "No cognizance was taken of reports in business circles that General Wood was not pleased with the handling of work relief." Washington has been saying for some time that the General was quite cognizant of the fact that he has been more pointed to as evidence that business has a part in running work relief than listened to as an advisor on how work relief should be run.

An elevator speaks

"I'm an Otis Elevator.

"When I was installed, I was considered by the building owner the best that money could buy. Said he wanted to do things right—didn't want elevator troubles later.

"That was ten years ago. Since then this building has changed hands and I have a feeling now that I'm not being treated as well as I deserve. I'm growing old before my time.

"I need to have my parts adjusted with the same skilful touch that they had originally. I need just the right lubricants. And when something in me needs replacing, it should not be a substitute made by a foreign hand.

"Yes, I'm an Otis Elevator. I try to remember all the tradition of quality and excellence back of me and keep going. But it's hard. I hate to cause trouble—it isn't my way. But even an Otis Elevator can't keep going forever if it isn't treated right."

. . .

The Otis Elevator Maintenance Service is the natural companion of an Otis Elevator. They have the same ideals and know how to work in harmony. Just as there is a special type of Otis Elevator for building needs, there is a specialized Otis Maintenance Service for every elevator and every building. Otis Maintenance is as varied as the buildings that subscribe to it. Otis Maintenance is economical because it assures the best of elevator service and prolongs elevator life indefinitely. It is available to you at a flat rate.

OTIS ELEVATOR COMPANY

AAA Tax Rebellion Grows Fast

Processors rush to courts to protect their rights to recover payments if Supreme Court should hold Agricultural Adjustment Act unconstitutional next session.

REVOLT against the processing taxes last week swept to peak proportions, flooding the lower courts with a parade of flour millers, hog packers, textile processors, all after injunctions against collection of processing taxes due, some seeking recovery of past paid taxes in addition, and all endeavoring to have the collector enjoined from attaching their properties for delinquency. Every shot was fired on constitutional grounds, with the leading attack alleging improper delegation of power to the Secretary of Agriculture. In all parts of the country, pleas for injunctions were heard, and in the great majority of cases, were granted by the courts pending hearings.

Taxes on 8 Products

There are 8 processing taxes in effect, ranging chronologically from the 30¢ impost placed on each bushel of processed wheat in June, 1933, to the 1¢ per lb. on rough rice inaugurated in April this year. In between, taxes were slapped on cotton, tobacco, corn and hogs, raw sugar, and peanuts.

Until NRA was ruled unconstitutional, AAA had had little trouble with processors. But when the Blue Eagle was shot down and the Supreme Court frowned at the behavior of the government in intrastate business, AAA trembled, processors saw hope, and legislators rushed to revise their prepared amendments so as to give the Secretary of Agriculture even greater power than he had wielded before.

Now the picture is one of confusion. AAA forces hastened to revise their structure by striking out 100 words from the original act and writing 800 new ones to shape powers in accordance with the Schechter case ruling. Among other things the amendments provide for application of taxes retroactively to June 1 by Congress, supplanting authority that has been lodged directly in the Secretary of Agriculture. In addition, paragraphs were framed to prohibit suits by processors to recover past paid taxes and also to bar suits to stop further collections.

It was these latter proposals that started the rush of processors to establish their protests before the new amendments might be passed. Even so, passage of the present bill would theoretically wipe out suits started last month. But processors maintain that they will carry the issue through to the Supreme Court.

Some of the big names in flour milling, textile processing, and packing are involved. Flour milling subsidiaries of General Mills, Inc. went to court in a mass. Pillsbury also sought injunctions; so did Russell-Miller Milling, International Milling, King Midas Milling. Among meat packers the big 4 of Chicago are conspicuously absent from the list of complainants which includes a string of smaller packers.

Hoosac Leads Off for Cotton

Cotton textile people, in so far as size was concerned, were led by Amoskeag

Manufacturing Co. with a suit to bar collection of \$2,500,000 in taxes. But Hoosac Mills, a textile concern, holds the lead-off position in the textile trade and it is predicted that this company's suit will be first of the cotton tax suits to reach the Supreme Court.

AAA is reported to be undisturbed by the threatened stoppage of its income from taxes, pointing out that Treasury and work relief funds are available for benefit payments. This year's operations appear safe. The first case is unlikely to reach the Supreme Court before winter and in the event of invalidation of the AAA structure, adjustment controls would scarcely be affected before next year.

Meanwhile, Secretary Wallace has intimated that AAA is not a temporary emergency plan, as it was originally conceived. The department has changed its mind about that. It will be a permanent plan, or at least exist as long as industrial tariffs endure.

American Guidebook

EUROPEAN tourists are coming over in increasing numbers to "do" America. But their aching feet lack the guide which serves the far-browsing American—the Baedeker. The last American Baedeker was published some years before the Big War. In a country that rebuilds and shifts constantly that guide is about as obsolete as "The Oregon Trail." Federal Relievers, scratching about for white-collar work projects, are considering compilation by jobless writers of an up-to-date American Guide. Those who marvel at the completeness of European Baedekers can't see how a similar job could be done in this large country without producing a volume too big to be carried in anything smaller than a wheelbarrow.



Business Week



International News

BRIDGING THE CENTURY—On July 4, 1835, when the Thomas viaduct (left) over the Patapsco River was ready to be dedicated and the first 6-ton B.&O. locomotive, like that in the foreground, set out gingerly across it, skeptics said it wouldn't stand the strain. Since then, without ever having a stone replaced, it's carried daily loads far heavier than B.&O.'s new *Royal Blue*, whose specially constructed lightweight coaches alone weigh 347 tons. Records like that give engineers in the new bridge-building era something to think about at dedication ceremonies, such as the one staged in Arizona last week to celebrate completion of the Dead Indian Canyon Bridge and opening of the \$1 million Navahopi highway between the Grand Canyon and the Painted Desert Indian country.

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New Jobs for Old

Motor body company saves employees from "work obsolescence."

A SUCCESSFUL experiment in craft re-education is reported by Nash Motor Co.'s Milwaukee affiliate, Seaman Body Corp. Nash's change-over from wood-and-steel to all-steel body construction affected every third man of the plant's body assembly workers. The deposed woodworkers were encouraged to choose their new occupations. In many cases the foremen made corrective shifts. Sometimes, a man was tried on 6 jobs before finding one he could master.

The woodworkers were placed among trained crews as apprentices at apprentice wages. They graduated to skilled status when the foremen decided that re-education was complete. About 4 weeks was required to adapt the men to arc and acetylene welding. In addition they mastered flash and spot welding, upholstering, painting, trimming, sound-proofing, wiring. New luxury items inside the cars created jobs that did not conflict with established trades. Some 300 men of from 24 to 69 years have been readjusted in a little over a year.

Travel Gains

Summer peak approaches old-time levels with large June sailings to Europe, Latin America, Alaska.

TRAVEL agents and steamship lines are getting sanguine. The travel business is beginning to set records again, even if the measuring-stick is the gloomy years of 1932 and 1933.

The year didn't get a good start, at least as far as European business was concerned. Hitler gummed the works with his scare talk. Many who had booked for a European tour before March hurriedly cancelled. Then things settled down and people began a rush for transatlantic reservations.

New York piers had their biggest rush in years when more than 18,000 travelers left this country on 25 vessels last week-end. In the corresponding week in 1934, fewer than 10,000 sailed. Other ports also had large sailings. This doesn't mean that the travel business is back to boom-year proportions; but it is so much better, and bookings for the rest of the summer are so large, that the travel industry is turning genuinely cheerful.

England, Germany, and Italy are drawing large crowds in Europe. There is a real rush of Central and South American business, and one seasoned travel-agent declares that "everything that can still float" is being pressed into service on capacity trips to Alaska.

Other interests than the travel agen-

Sign

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UNCERTAINTY in life, business and industry will always present its risk of the future . . . but it is the function of casualty insurance and fidelity and surety bonds to provide security against financial loss. • Over a million people are protected through the policies and bonds issued by the Standard of Detroit. A bulwark of protection for 51 years, Standard has paid over \$140,000,000 in claims. It stands today, as always, a staunch guardian against financial loss. • Sign your own declaration of independence from worry through a definite program of casualty insurance and bonds for home, property, business and self . . . available through 6,500 reputable Standard representatives throughout America.

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Breakage . . . Liability (all forms) . . . Workmen's Compensation . . . Fidelity and Surety Bonds (all forms).

STANDARD
ACCIDENT INSURANCE COMPANY
of Detroit

cies also gauge business conditions by the number of people traveling. Eighty per cent of the tourists are from the interior. Railroad and bus companies bring them to the seaboard, where hotels, restaurants, and allied businesses care for them. To all these businesses,

it is encouraging to note that the trend of travel has pulled itself out of the depression trough (see chart). When the record for all of 1935 becomes available (the peak comes in July and August), it is likely to show an even more impressive gain.

Business Licks Trade Barriers

Branch plants solve the export problem in some markets; the reciprocal tariff program is working in others.

ONE of the most significant developments brought out in *Business Week's* survey of export markets (*BW—June 22/35*) was the expansion of foreign branches to meet the demands of the extreme nationalism which has developed in recent years.

Most extensive expansion of branch plants in the last few years has been in Britain. The home and colonial market combined is enormous. When the British reached an agreement to encourage business within the family, there was nothing for many foreign companies to do but get inside the tariff blockade. British workers are benefiting, for many have found employment in these branch factories. American workers lose, but to American owners there is no choice. Today's tariff policies in many countries make it necessary to manufacture abroad and earn a little on capital investment, or to abandon certain markets.

Build Employment Abroad

One American machinery manufacturer has told *Business Week* that his company has increased employment in the British subsidiary by several hundred men to handle a 20% increase in business which could not be shipped from the home plant because of high British duties. Another company says the staff in its London office has been increased 50%. One manufacturer—sharply opposed to the operation of foreign branches—admits that assembly plants in Britain are active (as well as those in the Argentine and Japan), and that English demands for an increasing "Empire content" in all goods to avoid the import duty is forcing him to license more of the production of parts among British manufacturers.

Opponents of the Ottawa agreement for closer British Empire trade will be interested in the experience of the manufacturer whose exports from his Canadian branch last year were 59% ahead of 1933, but this year lag 4% behind.

One mass distributor of all kinds of goods in foreign markets made this shrewd observation:

"United States export totals so far this year are barely holding up to the 1934 totals, but this is due to the sharp

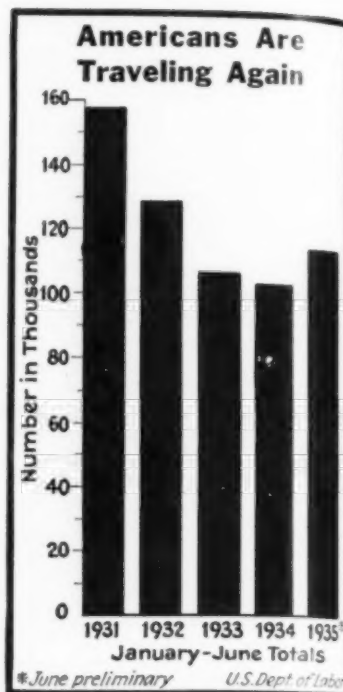
shrinkage in exports of cotton and other agricultural products. It confirms the fact that America is absolutely supreme in the field of machine-tooled, precision-engineered products. We lead in design, performance, and value. Australia, an extremist in self-sufficiency until recently, is now bringing in American-made refrigerators again, some in chassis form only. While hermetically sealed against American radio, the dealers and users in Australia are not satisfied with the home product and producers are now buying American radio engineering service on an annual basis, which may or may not meet their problems. On the other hand, foreign producers of corn, wheat, rye, flax, and now even cotton, can and do undersell us on the world's markets. This they can do in most instances, independent of the artificial AAA factors. Doesn't this mean we have finally completed our transition from an agricultural to an industrial nation in our world trade and to a certain extent in our domestic economy?"

Automobile manufacturers compared notes on export business—particularly to countries where reciprocal trade treaties have been signed—at a recent luncheon, and admitted these gains:

In the 8 months during which the Cuban trade agreement has been in force, car shipments from the United States to Cuba have totaled \$1,883,000, compared with \$639,000 in the same 8 months a year earlier. This increase of 194%, resulting from a drop of 50% in the duty on automobiles, compares with a gain of 76% in general exports to Cuba.

The Belgian agreement has been in force since May 1, the result being a jump in automobile exports to Belgium not equalled since the boom years. An agreement with Brazil, calling for a reduction of 20% in duty on cars, is now up for ratification in the Brazilian Senate. Agreements are being concluded with Sweden and Haiti freeing car import duties at present low levels, and 13 more agreements are pending.

Most spectacular recovery in motor car sales abroad has been in South Africa. Australia and New Zealand



OUT OF THE TROUGH—More Americans are going abroad this year. About two-thirds of them sail from New York, though Miami, New Orleans, Los Angeles, and San Francisco continue to do an increasing amount of travel business.

likewise are to be better cultivated. American car manufacturers have recovered faster in foreign markets than manufacturers in other countries.

Highway to Bigger Markets

Completion of the highway from the United States to Mexico City is counted on by car manufacturers not only to give impetus to tourist trade, especially of Americans into Mexico, but to open up a vast market for motor cars to the south of us. It also will enable American companies to ship goods by truck into the heart of Mexico and take some of the business away from other countries. Car manufacturers envision extension of the highway to Panama and eventually to Buenos Aires. All this should mean much in extending United States markets.

The threat from Japanese-built cars is minimized. Japan itself is not set up economically to support a large domestic market for cars. Hence it would have to depend on foreign markets for any automotive business. Even with cheap labor, it couldn't hope to compete against American cars in price.

Fall introductions should particularly help sales below the equator, where summer occurs during our winter. It will be the first time that American car makers have had new models to sell in such countries during their best motoring season.

Business Abroad

Italy has become world danger spot: London protest on African policy has no effect. Half-year business in Britain sets 5-year record. Shanghai aids distressed banks and industries. Soviets continue to buy goods and equipment abroad.

WITH the truce in the Chaco, and with China more or less calmly accepting the dictates of Japan regarding the whole of the Peiping-Tientsin region in the north, the real danger spot in world politics now is Italy. Mussolini very definitely has not capitulated to the British, or the Abyssinians, or foreign public opinion.

The visit of Anthony Eden to Rome was fruitless. It is rumored that he had something very definite in the way of territorial concessions in Africa to offer to Mussolini, if the Italians would give up their Abyssinian campaign.

The British had a selfish motive, but one which Italy might well share. Britain gave Germany the concessions which she did in the recently signed naval pact, not because London wanted to make them, but because the British think it is the best way to get Germany back into the League—and to keep her out of trouble.

More Demands from Berlin

It is fully expected in London that Germany will make more demands, and soon. First of these may be for a return of some of the old colonies. Next may come a demand for a plebiscite in Austria. Danger moment in Europe will

come when France or Italy refuses to play the game which Britain is trying to play with Germany. Britain will not refuse, for the British are vulnerable from the air and there is not time now to rearm. London reminded Italy that Germany might move on Austria in the fall. If an Austrian plebiscite gives Austria to the Germans, or if the Germans decide to take it anyway, Germany will move up to Italy's very vulnerable northern border. If Mussolini thinks he has safely protected himself in Europe by allowing Germany certain concessions in the Danube valley in return for a free hand in Africa, he is showing a new respect for Germany's

word. If he thinks he can "settle Abyssinia" before Germany creates trouble in Europe he is far more confident than almost any of the other powers.

The business outlook in Britain is brighter now than at any time for 5 years, but the political picture is not so good. Although the Conservatives have now got their wish and have a Tory Prime Minister at the head of the National government (which is mainly Conservative in backing), they are not happy. Stanley Baldwin is showing the same woolly-mindedness which caused him to fling away a great Conservative majority in 1923 to Labour by an ill considered speech. His parliamentary manner, particularly at question time, is not strong, and there are grave doubts whether he will manage to carry things through until October (the time fixed by the party bosses for the general election) without some grave indiscretion.

Germany

Business is featureless. Producers run into trouble trying to produce synthetic fibers; program slowed.

BERLIN (Wireless)—Business is featureless with current indicators maintained at the levels of the last few months. Stock prices show a net advance; bonds are neglected. Sales of the new notes of the Gold Discount Bank—totaling 300 million marks—have pretty well absorbed present idle funds on the money market, and rates are beginning to stiffen.

At its last meeting before the summer vacation, the cabinet passed a law introducing 6 months of compulsory labor service for all Germans, which, added to the army service already operative, means that Germans will devote 1½ years to the government, at an annual cost of 335 million marks.

Substitutes Cause Trouble

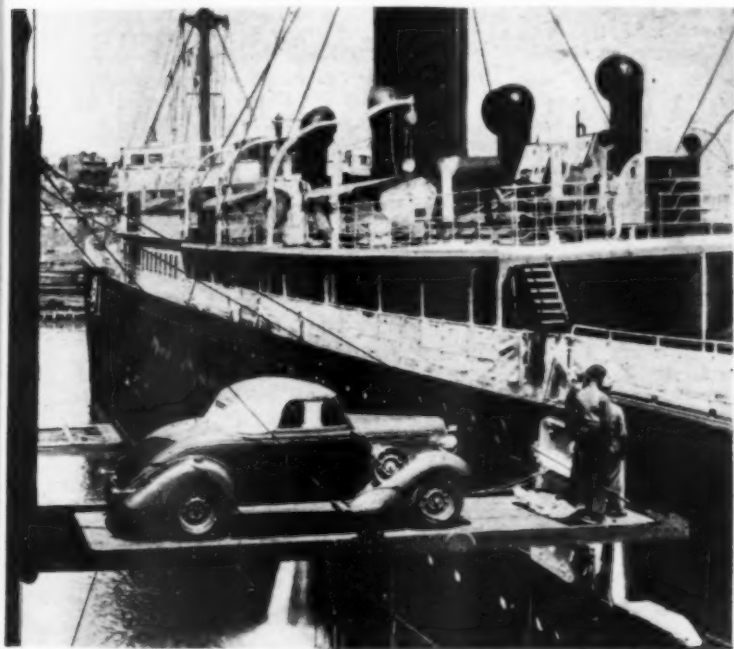
Germany's plan to produce all necessities is running into difficulties.

Until 2 or 3 years ago, Germany imported all her cotton yarn, 94% of her woolen yarn, and 80% of her flax. Naturally, the Hitler government decided to concentrate at once on the production of artificial fibers which might replace these imports (BW—Mar23'35).

Two years ago, Germany managed to produce nearly 7,000 tons of these materials. This compares with imports of about 400,000 tons of cotton and 155,000 tons of wool.

It was decided then that domestic production of the artificial fibers would be pushed to 100,000 tons by the spring of 1936. Even as recently as a year ago it was found necessary to cut this estimate to 70,000 tons. Now, with the time-limit almost exhausted, it has become evident to Germans that they will do well if they produce 50,000 tons, which, after all, is just a drop in the bucket.

Other factors modify the seriousness of the failure. Barter deals have been just sufficiently successful this year to give Germany a larger supply of both cotton and wool than had been antici-



Business Week

TRANSATLANTIC FERRY—On to the dock, down an electric elevator, and into the hold of the S.S. *Isenstein*, which boasts 3 garage decks, goes another American automobile for some vacationist who wants to go motoring abroad. The strong bid which these Bernstein boats have made for the take-your-car-with-you business accounts for the general increase of 50% this year in this kind of freight. In 1930 it would have cost from \$225 to \$340 to take this Plymouth abroad; now a round trip costs from \$120 to \$150, depending on the line.

pated. Admittedly, many of the foreign parties involved will not go through with the scheme another year because it has worked to their disadvantage. A second factor is the smaller demand for textiles. Germans stocked up more than a year ago when they heard that they might be forced to buy the synthetic materials which had not been too popular during the war shortage. Finally, the building of an artificial fiber plant takes much longer than the authorities had estimated.

In contrast with the extension plans in the synthetic gasoline industry, where a compulsory combine of lignite mines was formed in order to finance the new plants, the new artificial fiber factories are being built on a voluntary basis, with only a financial guarantee from the government.

Great Britain

Spring business sets 5-year record. Metallized paper containers for oil appear on British market.

LONDON (Cable)—This is proving to be the best half-year since 1930. One hundred thousand more men are at work than last year; retail sales are up 2.2%; first quarter tax revenue is up £1.2 millions; national savings certificates have increased £13 millions to a total of £500 millions; private car ownership has jumped 30,000; building progress is up 25%. Stock markets are good, with all industrial indices at the highest figure since 1930.

Eden's rebuff in Italy has not changed the official policy, but Minister's speeches are all directed to an increase of the air force on the growing belief that the Abyssinian affair will withdraw Mussolini's troops from Europe, allowing Germany to force an Austrian plebiscite in the fall. This possibly could lead to hostilities. Britain is alarmed also that the Abyssinian affair may lead to an Italo-British war over Suez passage and hostilities in Somaliland, which is important as facing Aden, Britain's southern Suez naval base. As a consequence, there is an undertone of apprehension which is not yet generally felt.

Britain is still enjoying a semi-boom spirit. New issues—chiefly aeroplane companies and gold mines, or municipalities seeking lower-rated replacement money—are flowing out in flood, and are receiving good response. Three municipality issues in one week were 20 times oversubscribed. They were all 3% bonds.

A new industry, the making of metallized paper containers for oil, is to be established in Liverpool. A company has been formed which has purchased the manufacturing rights from the Continent, and for the past year has been proceeding on the building and equipping of an extensive modern factory. This is now complete, and production is to begin in the immediate future.

For some time past samples have been under test by interested oil manufacturers and others, whose reports have



STRAINED RELATIONS—Despite the appearances of amity, Premier Laval (left) and Captain Eden were unable to arrive at any mutual agreement on the problems which are driving an ever widening breach between France and England. French resentment, unassuaged by the British envoy's ministrations, over the Anglo-German 100-to-35 naval treaty presages a failure of the powers to stop Mussolini's Abyssinian designs, an ultimate collapse of the League of Nations.

been favorable. Work will be found for 200 people at the start.

At present there is a big demand for sealed oil containers, but the cost of production of small metal containers has been prohibitive. The new industry will provide, it is claimed, a cheap but satisfactory form of container of any size.

Soviet Union

Russians are forced to buy bearings abroad this year for rapidly developing automotive, electrical, and aviation industries. Expansion of domestic bearings plants creates demand for machine tools.

MOSCOW (Cable)—The Soviets are going to be forced to buy more than 10 million ball bearings in foreign markets this year. And to meet this shortage at home by the end of another year, they will buy large quantities of foreign-made machine tools.

This news has just been released in Moscow. It is the direct outcome of the speeding up of the Soviet automotive, electrical, and aviation industries.

The Russians already have one large ball-bearing plant in Moscow, which has a capacity of 20 million bearings. Requirements of Soviet industry this year are 30 millions. This is the reason for the rush to buy at least 10 million bearings abroad.

In planning to increase internal capacity, Russia is counting on the need for 100 million bearings a year by 1942. These are to be supplied by expanding the present Moscow plant (which, when operating with complete efficiency at

capacity, should produce 24 million bearings) to produce 50 millions. Another plant will be constructed at Saratov (on the Volga) to produce the other 50 millions. Construction has already started on this plant and it is expected that it will begin operations by April of next year. For the new plants, nearly 4,000 machine tools will be required, a part of which will be produced at home. Important purchases will be placed abroad in the near future for the remaining tools.

More than 30,000 Russians are expected to be employed at the Saratov plant producing 350 types of bearings.

France

Unrest mounts as country awaits government emergency program.

PARIS (Wireless)—With parliament out of the way, Laval's various financial reform measures are expected to be announced over the next few weeks.

The first is likely to hit at excessive accumulations of wealth. The second is likely to cut wages of all civil servants and pensioners.

It is expected now that second series of economies will not be announced until after France's great holiday on July 14 because of the opportunity that day offers for demonstrations against the government. The internal instability of the country, as a matter of fact, is becoming dangerous. It is likely that Laval will have a serious task on his hands of maintaining order as the various decrees are announced.

Bourse business is unchanged.

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Canada

Parliament winds up important session. Much New Deal legislation depends for enactment on return of the Bennett government in the pending general election.

OTTAWA—Parliament has just wound up a 5-month session which has been one of the most important in Canadian history. A reform program has been outlined and legislation to carry it out has been enacted (page 12). It is less radical than was planned earlier in the year, partly because business has improved recently without benefit of some of the reform measures and partly because the NRA decision in the United States pushed into the foreground the constitutional question. The Canadian provinces jealously guard their rights. Any national program which infringed on these would be fought vigorously.

Grain Facts

Closing days of the session were devoted largely to the Grain Board Bill. With the Prime Minister presiding over the special committee of the Commons which studied what the government wheat pool program has accomplished during the last few years, these facts were revealed for the first time to the public: total amount of wheat now held by the government pool—228 million bu.; average amount paid by the government for the wheat—85¢; total government commitments for all purposes—\$206 millions; paper loss to the government if wheat were sold at present prices—\$11 millions; Wheat Pool estimate of price benefit to farmers of market support operations—\$150 millions.

Since 1931, when the Western wheat

pool became unable longer to finance their heavy carryover, the Ottawa government has been backing their operations financially to prevent dumping of wheat and collapse of the market. Lately, prices have been pegged at Winnipeg above Liverpool prices.

Results of these operations and the financial commitments of the national treasury have been kept secret "in the public interest," although it has been known that sometimes the government had a substantial paper profit and at other times a loss. The facts of the situation were revealed recently during the parliamentary consideration of the Grain Board Bill.

Election Outcome a Question

Canadians are aware that much of the legislation passed at the recent session is more permissive than compulsory. How much reform is going to come to Canada depends on the outcome of the general elections this fall. If the Bennett government is returned, it is likely that much of the program will be carried out. If the Liberals win—and there is a greater division of opinion over the outcome now than a few months ago when betting was on the Conservatives—it is likely that much of the program will be ignored.

Ottawa Waits for Washington

During the week, Bennett told the Commons that those nominated by the government to negotiate the proposed trade treaty with the United States were waiting at Ottawa to proceed to Washington. The call from the United States capital has been expected since June 17, but no final invitation has yet been received for formal negotiations.

Partly in response to improved federal finances and partly because a general election is impending, civil service sal-

ary increases, suspended for 3 years, are being restored.

With Parliament over, the election campaign will get under way.

Far East

Shanghai organizes to combat "the crash." Japan settles rail debt to Soviets with manufactured goods; plans economic development of mandated Pacific islands.

THE distress which has followed the bursting of the Shanghai inflation bubble has attracted wide attention in China. The Washington silver program is blamed for precipitating now a situation which has been unhealthy for some time. Conservative critics admit that the real estate boom in Shanghai in the last few years had gotten out of control.

The financial authorities are cooperating with banking, business and industrial institutions to give distressed native banks and industrial establishments similar aid to that given the native banks. The Shanghai Industrial and Business Loan Relief Committee was formed in mid-June to handle relief work among distressed industries.

Shanghai's Chinese members of the Cotton Exchange resolved at the same time to support the requests from Japanese cotton mill owners to place Japanese cotton yarn products on daily exchange quotations beginning with Aug. 1. Japanese cotton products have not been quoted since 1931.

Japanese Steel for Russia

Four notes from Japan attracted business attention during the week. First was the announcement that the Soviets are expected to place orders within a few weeks for about \$3 millions of Japanese steel goods as part payment for the Chinese Eastern Railroad. Requests for prices on more than 10 1,500-ton cargo boats, tug-boats, and small transport boats were received by various firms including the Mitsubishi and Kawasaki Dockyards. Other firms were asked to bid on steel plates. These orders from Russia are expected to mount later.

Japanese interests have virtually completed negotiations for the purchase of an iron mine on Yampi Sound Island on the west coast of Australia.

The China Weekly Review (Shanghai) reports that the Japanese government has formulated a 5-year plan for development of the Japanese mandated islands in the South Seas. Three investigation parties have been sent out by the government to make a study this summer of the industrial, financial, and communication problems of the islands. On the return of these groups, the government will put finishing touches to the 5-year plan for development.

The Trans-Pacific, published in Tokyo, reports that a Japanese science instructor has discovered a method of converting common straw into material virtually identical with raw cotton. He will attempt to commercialize it, and is likely to be financed by cotton manufacturing interests and the government.



OVER THERE—Japan's First Division is leaving Tokyo for duty in North China. Since the Manchuria campaign started in 1931, thousands of Japanese have seen service on the Asiatic mainland. These soldiers are bound for Tientsin.

Money and the Markets

Holiday checks activity, but delay in Roosevelt's tax plan brings cheers, and utilities rise after House vote. Modified bank bill is pleasing. Many new issues expected. Commodities dull, metals nervous.

THE holiday made itself felt by the customary tempering of activity in financial and market quarters. Washington was a conspicuous exception to the general rule of relaxation during the week. At the Capital the legislative wrangle continued in full heat, and hope for early adjournment faded to a shadow—which was no help to financial and business sentiment. Rapid changes in the President's implied wishes regarding the tax measures resulted in definite confusion at the end of last week. This week, when it was apparent that the program was not to be shot through headlong, there was some recovery in sentiment, but this was clouded by the prospect of a long session.

On the whole, finance is keeping up its aggressive defense against the influence of Washington and the summer season. Recessions in morale are mild, considering the burden that politics has laid upon the spirits of the economic community, and markets reflect dullness and caution rather than any material change in the hope for later recovery in business.

Foreign Affairs Unchanged

Happily, outside events have produced nothing to accentuate the weariness and inaction that has been a result of the continued presence of Congress. Foreign affairs, exemplified by France and the foreign exchange market, are maintaining an even keel. The British are becoming a little more friendly to stabilization of currencies, although there is nothing in that direction pointing to early world action. The approaching tax program here is regarded

in England as a step, although a very small one, toward balancing the budget, and a balanced budget in the United States would make other nations feel better about hitching their currencies with ours.

Our gold stocks, as the Federal Reserve points out, are substantially higher now, not only in devalued dollar measurement, but in actual physical quantity with the present total of more than \$9 billions representing more than double the average amount for the 10 years preceding devaluation. The recent expansion of gold receipts has been a major influence in the rise of member bank reserves to more than \$5 billions, practically double the present reserve requirements of member banks.

Rush of New Security Issues Expected

EVER since the new capital market broke up the ice earlier this year, there has been more and more activity in this field. At midyear, action reached a new high with a general rush of corporations to file new issues with the SEC, stimulated by the rule that balance sheets of Dec. 31, 1934, could not be used in registration statements after July 1.

As a consequence, the SEC had a huge block of financing going through the mill this week, promising a flood of new issues on the market within the next 3 weeks. In addition, some very large issues completed their SEC routine during the week and were offered. These included the \$55 millions put on the market by Bethlehem Steel and the

\$35 millions offered by Southern California Edison. In the municipal field Indianapolis offered an issue of \$9 millions.

Prospects for new offerings as soon as the SEC examination period is over and approval granted, include some very heavy blocks, led by Duquesne Light Co. of Pittsburgh, which has a refunding issue of \$70 millions on \$50 with the commission. Pure Oil has \$50 millions in the same position, and B. F. Goodrich Co. \$28 millions.

Most Are Refundings

Most of the proposed issues are for refunding purposes. Corporations can hardly resist the attractions of the extremely low money rates prevailing and the chance for cutting down interest expenditures. It is estimated that there is still some \$2 billions in refunding issues which are callable this year and on which action might be seen.

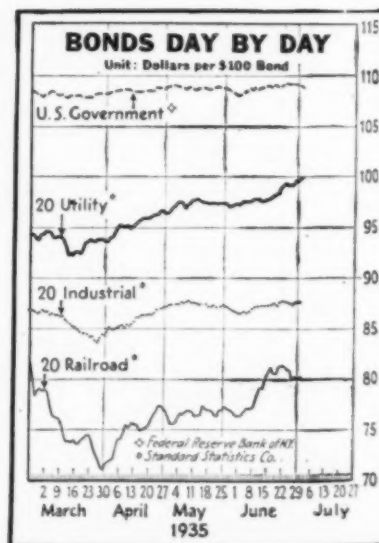
RFC has been talking with New York Central and its bankers about a convertible bond issue which might be issued in the fall to absorb the road's \$27 millions in debt to the RFC and some \$63 millions of outstanding bank loans. RFC has extended about \$10 millions of Central's maturities on debt to itself in the hope of such a flotation.

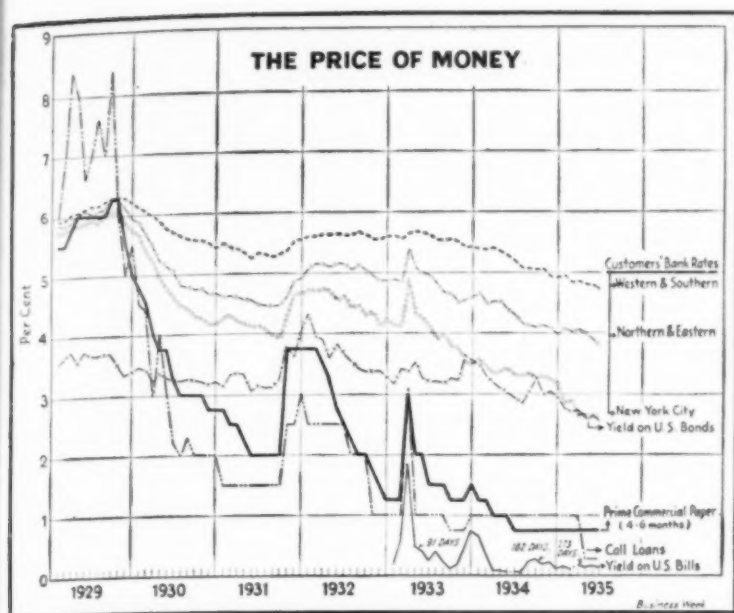
New Tax-Exempts Sought

In the tax-exempt market there has been a feverish search for new issues since President Roosevelt's tax message favored abandonment of exemptions. The activity in this division has led New York State to consider an issue of about \$50 millions which otherwise would not have come along until autumn. At the same time, Governor Curley of Massachusetts recommended a \$35-million issue to his legislature.

Modified Bank Bill Pleases All Groups

THE banking bill, one of the major contributions to business uneasiness emerged from the Senate sub-committee as a much milder version of the House





measure. If it were to become law without substantial modification, there is little doubt that all factions would express relief. Providing for the expulsion of the Secretary of the Treasury and the Comptroller from the Federal Reserve Board, the bill narrows the field of possible political influence, sets maximum and minimum for reserve requirements, and provides for open-market operations by the Reserve System as a unit, with district banks forced to follow board recommendations both in policy and detail.

Some Underwriting Allowed

One of the more interesting disclosures, once the legislation escaped from the secrecy imposed by the subcommittee, was that banks were to be allowed to re-enter the underwriting field, which has been rigidly barred to them for a year. This was not nearly as important as it sounded, since restrictions surrounding the permission were sufficient to keep larger banks effectively excluded from worthwhile business. Senator Glass made it quite clear that the door had not been opened very far, pointing out, among other things, that commitments by each bank on a single issue would be restricted to \$100,000, that aggregate underwritings would be limited to 200% of unimpaired capital and surplus, that sales to bank customers would not be sanctioned nor would any other sales except to brokers and dealers, and that underwriting would be further limited by such restrictions as the Comptroller of the Currency might prescribe.

Obviously very little freedom would be recovered by such slight relaxation of the rules. At the same time any loosening up at all is directly in contrast with the attitude expressed in the banking bill of 1933 and becomes, therefore, of some significance. Banking interests hope that the shift in attitude may pre-empt a greater degree of tolerance in the future.

There is very little hope among bankers that they will retrieve their former freedom of originating, underwriting, and distributing securities, but there is now a tendency to look for the return of the underwriting function on a broader scale. As underwriters, the banks served as insurers, giving distributing houses a chance to dispose of issues which proved slow sales to the public. For this service, banks collected what amounted to an insurance fee. Recapture of this source of income is looked upon as highly desirable.

Stocks and Bonds Dull; Utilities Up

THE stock and bond markets have had no major piece of economic change to mull over, and consequently their trends have been merely day-to-day mirrorings of Washington events and odd bits of business news. This week the holiday was the dominating influence and trading held to a dreamy summer pace.

Investment money continues to come into the market in ample enough quantity to keep high-grade bonds in a firm condition. Government issues hold quietly to their high levels, reinforced lately by the very mild support for revenue increases indicated in the tax measures in preparation, and, to some extent, by the fact that the Treasury deficit for the fiscal year just ended was not nearly as large as had been estimated at the beginning of the year. There is a good deal of curiosity about the large piece of financing that the government will do within the medium-term future, but, from the day-to-day standpoint, investment money takes good care of market prices.

Second-grade bonds and the stock list engaged this week in recouping some of the declines registered last week. The recovery effort has been a relatively lazy one, however. In railroad liens of the lesser grades and in rail stocks,

action has been somewhat faster, first pushed downward by the filing of Chicago & North Western under 77-B, and shoved upward later by the firming tendency that struck other divisions of the markets. Utilities enjoyed mild price advances as the House rebelled against the Administration on the utility "death sentence."

Grains Hesitate After Rust Rise

THE very sharp rise that occurred in grain prices last week was carried over in fair force into the early part of this week, but hesitancy promptly set in when the advance began to look too steep. Black rust reports from winter areas of Nebraska initiated the sudden rise by catching the market at a time when bearishness was general and short positions extended. The rust infestation was reported by competent observers as unusually severe in Nebraska, and apprehension developed over the possible fate of the spring wheat crop.

Threat to Spring Wheat

The disease normally does little damage in winter wheat but is a dangerous threat to spring wheat grown farther north, if weather conditions during the season favor its development. That possibility for the spring crop is yet to be determined, but crop scares would be very handy in wheat markets just now, when buying power is needed to absorb hedges being placed against winter wheat harvests.

Crop reporters on Tuesday revealed no concern of consequence for the Northwest crop, placing the probable total at 256 million bu. compared with only 91 millions harvested last year. Winter wheat was estimated at 451 million bu., a decline from the reporters' June 1 estimates, but somewhat larger than the government had indicated on June 1. A crop of 2,151 million bu. of corn is called for in the first estimate of the season, and a crop of 1,288 million bu. of oats. In conjunction with the recent pig crop report, the prospect appears to be for quite ample supplies of corn for feed.

Canadian grain news is more encouraging from the political standpoint, with recent evidence that the compulsory grain-control bill will be tempered to a permissive measure, thus removing the threat to the Winnipeg Exchange. But from the crop standpoint it is much the same. A big new crop and a carryover of practically a full year's surplus of old wheat gives Canada a real sales problem.

Commodities Dull; Metals Nervous

IN miscellaneous commodity markets the metals had most of the attention, based wholly on last week's price crack in copper and continuing nervousness in that metal. Zinc, lead, and tin did not give ground in sympathy with the copper break, nor did the copper market enlarge on its first substantial price drop. Nevertheless, sentiment in metal-trading circles was not at its best. Un-



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fortunately for the copper companies, the swift decline in copper occurred shortly before inventory time. Presumably the companies that calculate inventory values accurately to the open-market level will have to lower that balance-sheet item for the first time in a year.

Other commodity markets made little bid for recognition. Cotton is anticipating the season's first government report on Monday. The size of the crop this year is a matter of considerable importance, since the government faces a delicate situation in deciding what loan price shall be placed on the new crop. Political pressure is for continuation of the 12-cent loan, but economic pressure is toward a lower figure.

June Sets Records

FINANCIAL tabulations for June disclose a fair sprinkling of instances in which the month was out of the ordinary. For example, receipts of gold here from abroad reached a peak since March, 1934, with \$236 millions received. By far the larger part of it came from France, since the month included a part of the period when the French political unsettlement was at its greatest pitch. Aggregate receipts from France for the first half of the year were \$407 millions, and our gold stock at midyear crossed the \$9 billion mark.

Bond issues during June were also something of a minor record. The total, in dollar valuation, was \$415 millions, which included the big Federal Land Bank flotation, and topped both May of this year and June of last year. The number of individual issues was relatively small, but among the separate classifications, utilities were outstanding, with a new high aggregate of issuance since August, 1932.

New offerings have been making records right along this year, and for the first six months the figure stands as the best since 1931. More than \$1.5 billions have been floated in the first half of the year. On the other side of the picture June revealed a decline in corporation dividend payments, the total dropping substantially below May, and slightly below June of last year. For the first half-year, however, aggregate dividends paid by domestic corporations exceeded by \$38 millions the corresponding 1934 figure.

Pork to Stay Up

A GLANCE at future pork prices was afforded last week when the government pig crop report was issued. Judging by the 20% decrease in the spring pig crop compared with last year, and the decrease of 30% in the number of hogs over six months old on farms June 1, pork prices are likely to continue high for the rest of this year. Commercial marketings of hogs for packing-house slaughter in the year ending September, 1936, will be, according to the Department of Agriculture, considerably less than in the year ending this September, which will have been the smallest in 30 years.

The pig crop report probably does not

imply further sharp advances in the price of hogs, for the simple reason that much consumer resistance has already been met, but at least the outlook is for continued small supplies. Correction of the shrunken condition of live pork supplies on domestic farms is suggested, however, when the crop report states that this fall there will be an increase of 19% in the number of sows to farrow. A highlight of the report was the indicated average saving of pigs per litter. Under a high-price regime, the little pigs had a better chance of surviving for a butcher-shop destiny by the extent of 1.5 pig per litter.

The hog population needs merely time in order to rebuild itself, provided, of course, that it has AAA sanction for recovering the great losses in numbers that have been experienced in the last 2 years. However, it is quite possible the AAA will need a larger pig crop in 1936 to consume the indicated crop of 800 million bu. more than last year.

Hupp Kept on List

THE notorious Hupp Motor Car case finally reached the end of its wide-spread publicity when the SEC ruled that the New York Stock Exchange should not delist the issue. The bald inference that the Stock Exchange plea for delisting was spurned by a hostile SEC is not warranted. On the contrary, there was real amity in the final decision, for the faults of which the Stock Exchange complained were remedied before the SEC's decision was handed down, and the ultimate ruling was therefore perfectly acceptable to the Exchange.

Going further than merely stating the belief that delisting would be injurious to harassed Hupp stockholders, the SEC pleasantly appended to its decision a hearty commendation of the Exchange's original effort to have the company taken off its lists. The Exchange, the SEC said, exhibited a praiseworthy earnestness in seeking to force Hupp to divulge information which was concealed until the famous Andrews-Drake controversy blew the lid off the workings of the management and resulted in a shift of control within the company.

Kennedy Holds Job

THE reappointment of Joseph P. Kennedy to serve another year as head of the SEC was viewed in financial circles as an agreeably conservative step. Announcement that he would remain chairman was doubly welcome in view of the frequent rumors that he would resign which developed as his first year of service approached expiration.

Mr. Kennedy is credited with inducing the peaceful attitude of financial interests toward the SEC thus far in its existence. Hostility and disagreement fell far short of expectations as the SEC took over regulation of the major security markets of the country. Moreover, during the first year of SEC's rule the capital market was brought back to life, and a number of Mr. Kennedy's rulings easing SEC restrictions played a decidedly important part in bringing bond issues out of their coma.

Editorially Speaking—

THERE was an article the other day in a conspicuous position on an inside page of the Scripps-Howard chain of newspapers: "The new work-relief is not public works. It is in part a new, if more ambitious, kind of leaf-raking. . . . The 'quotient' idea of dividing 3 million men into \$4 billions and not allowing any project that doesn't pay \$1,100 per man is a practical ban on useful and permanent projects. It may all be good, practical horsensense, but it looks like \$4 billions of boondoggling to me."

The writer was Hugh S. Johnson. And on the first page of the later editions there was an 8-column headline: "JOHNSON TO RUN U. S. RELIEF IN NEW YORK."

It still looks like boondoggling, general.

MILLVILLE, in Massachusetts, went broke. The state commissioner of taxation and corporations was placed in charge. Milford, another town, submitted to the commissioner a bill for \$48.71, as reimbursement for welfare aid which Milford had supplied when Millville was unable to care for its unemployed. The commissioner replied by offering to give Millville to Milford. At last reports, Milford was still pondering whether to annex Millville in payment of the \$48.71 bill.

All amusing enough, to people far away; but it's no joke to Millville. Why did Millville go broke? Because it only had one industry, a rubber firm, and this was forced to shut down. Not far from Millville is Uxbridge. The state commissioner has offered Millville to Uxbridge, too, but Uxbridge has refused to take it. Since then a strike has been called against the Uxbridge Worsted Co., which has a mill in Uxbridge and 6 mills in other New England towns. The company is dismantling one of its 7 mills in order to ship the machinery down South. Will there be other Millvilles, other towns going broke because of conditions unfavorable to local industries?

SOME of these erratic reform movements that sweep the country from time to time can easily become national businesses. There's the Townsend old-age pension movement, for example. It issues charters to local clubs, which are required to pay an annual fee of 25¢ per member. Organizers are sent out to establish these clubs and increase the flow of fees to national headquarters in Los Angeles. Lecturers keep on the go, for the same purpose. But it appears that a Detroit organizer and a touring lecturer conceived the idea of staking out a state-wide claim for themselves. They incorporated a Michigan organiza-

tion, naming it after Dr. Townsend, and then began collecting the 25¢ local fees—and also a \$5 charter fee for each club, though the national organization collects no charter fees. Out of 246 Townsend clubs in Michigan, 240 were organized by the state group, which received the fees. But the national organization woke up to what was going on and took the clubs over, magnanimously waiving the membership fees for the first year. After all, there are other years—and other fees.

A PECULIAR method of solving the relief problem is suggested by Erle P. Halliburton, head of the Halliburton Oil Well Cementing Co., of Duncan, Okla. He refuses to hire anybody who has ever been on relief or has worked for a relief agency.

"Certainly," he says, "any man who wants to work can take the modern methods of the present day and earn for himself a better living with less effort than the same man could have earned for himself 30 years ago." Certainly this is not true; it flies in the face of obvious facts. Mr. Halliburton says that "the sooner industry decides not to employ persons who accept the dole, the sooner the relief problem of the nation will be solved." On the contrary, that method would keep the problem from ever being solved. If people on relief can't get a job, they've got to stay on relief—unless you want them to starve. And if all employers adopted Mr. Halliburton's policy, they would never be able to get enough employees when business picked up, because the people they needed would be those who had been on relief.

THE Oyster Growers' and Dealers' Association of North America is starting an advertising campaign to increase the eating of oysters. It oughtn't to be a hard thing to put over. People will eat a lot more oysters if they are told two things—exactly when and under what conditions they can get good oysters, and how to prepare them to the best advantage. Huey Long did some excellent missionary work for the oyster industry during his 15½-hour filibuster, when he gave a mouth-watering explanation of how oysters are fried down where he comes from. But that isn't the only way, or necessarily the best. There are probably at least 100 ways of getting delight out of an oyster, if the wide world is searched for recipes.

THERE'S air-conditioning in Washington, but it must have broken down recently. Some of the actions of the highest officials there can be attributed to nothing else than the heat.



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GENERAL MILLS, INC.

28th Consecutive Common Stock Dividend

June 29, 1935
Directors of General Mills, Inc., announce the declaration of the regular quarterly dividend of \$.75 per share upon the common stock of the company, payable August 1, 1935, to all common stockholders of record at the close of business July 15, 1935. Checks will be mailed. Transfer books will not be closed. This is the 28th consecutive dividend on General Mills common.

(Signed) **KARL E. HUMPHREY,**
Treasurer.



JULY 6, 1935

No Obedience!

Although the Wagner Labor Relations Act has been passed by Congress and signed by the President, it is not yet law. For nothing is law that is not Constitutional.

The Supreme Court, contrary to general belief, does not invalidate laws; it merely decides that certain Acts of Congress are not authorized in the list of congressional powers enumerated in the Constitution, and that therefore these Acts of Congress are not law. And this is what the Supreme Court will ultimately decide about the Wagner Act, unless the court's past decisions are wholly misleading.

Convinced that the act is an unlawful meddling with production, and with commerce within the states, employers will not obey it. The question may finally reach the Supreme Court in a case directly involving a large steel corporation or a local dealer in poultry or pencils; but whether Weir or United States Steel or Schechter is the defendant in the test case prosecuted by the Department of Justice, thousands of business firms will meanwhile have joined in a spontaneous resistance.

Business believes that there is no logic in the cumbersome and limping declaration of policy with which Senator Wagner and his associates have prefaced the act, in the hope of getting around the Supreme Court's repeated definitions of what constitutes intrastate commerce and nothing else. The declaration asserts that the refusal of employers to accept collective bargaining leads to "strikes and other forms of industrial strife or unrest, which have the intent or the necessary effect of burdening or obstructing commerce" between the states.

Intent or necessary effect of producing such a burden—that's what the court has said must be proved before an otherwise local act can come within federal jurisdiction. But what is it that has this intent or this necessary effect? Is it the refusal of employers to accept collective bargaining? Why, no—not according to the Wagner Act. It's the "strikes and other forms of industrial strife or unrest." Therefore some sort of logical case might be made out for congressional prohibition of strikes. But in going beyond the strikes to the conditions that precede them, Congress would deal

with remote actions that have neither the intent nor the necessary effect which must be proved to the satisfaction of the Supreme Court.

Business will not obey this edict. It will not submit to a one-sided Act of Congress that forbids employers to interfere with regular labor unions but does not forbid the American Federation of Labor to interfere with company unions. It is manifestly the intention of Congress to unionize American business. Unjust as this compulsion is, business would yield to it if it were lawful. But it is not. It is injustice aggravated by usurpation. It is tyranny. It is a piece of despotism which business will unitedly resist. It will be fought to the finish; and unless all the signs are deceptive, it will finish on its back.

Only Profit Can Fill the Envelope

Take a workingman whose pay envelope is 25% smaller now than it was in 1929. Anxious to get it back, he is likely to support any demand for a higher wage-rate. But, as several charts in last week's issue of *Business Week* showed, he is being gravely misled.

In one of the charts there was a line that represented the hourly earnings of skilled male labor in 25 manufacturing industries since 1929. The peak was reached in October of 1929, when the average was 67.2 cents an hour. In May of this year it was 66.1 cents, almost as high as the 1929 peak. Unskilled male labor in October, 1929, received 49.0 cents an hour; in May of this year the rate was 49.3. Female labor (not classified as to skill) has done even better. The 1929 peak was reached in June of that year, when the rate was 40.3 cents; in May of this year it reached 43.6.

But what has happened to the weekly pay envelope? In October of

1929, skilled men received \$33.29; unskilled men, \$25.18; women, \$17.95. In May of this year their wages were \$24.41, \$17.49, and \$14.83.

The answer, of course, is hours. The average working-week for all groups in October of 1929 was 49.3 hours; in May of this year, 36.3.

What labor needs, then, is not the highest possible wage-rate, as insistently demanded by labor leaders. It needs such a wage-rate as will enable the employer to make a profit if he turns out a reasonable volume of goods. An excessive wage-rate robs the pay envelope.

A Logical Build-up For a Bonus Drive

One of the natural results of the Administration's wealth-sharing tax program is to revive demands for immediate payment of the soldiers' bonus. Maybe nothing will be done about it right away, but the argument in its favor has been built up very neatly, though unconsciously, by the President himself, in collaboration with the Secretary of the Treasury.

The President is in favor of a steeply graduated inheritance tax. When was such a tax first suggested by a Cabinet member? It was done in April, when Secretary Morgenthau told a Senate subcommittee that if the bonus were paid, Congress should provide a means of raising the necessary money; and he said his own choice was an inheritance tax, graduated as the income tax is.

Thus the inheritance tax was to be conditional on the enactment of the bonus bill. And now the President wants the inheritance tax passed in a hurry. A lot of veterans therefore think the bonus bill ought to be passed, too, in fulfillment of the condition laid down by Mr. Morgenthau.

But the leader of a new bonus march on Washington has made another suggestion, perfectly logical in its way. He says the bonus should only be paid to those veterans who don't pay any income tax. How beautifully this fits in with the Administration's entire tax philosophy! If a man pays any taxes, soak him for more. If he pays none, load him down with the money that's been taken away from the taxpayers.

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